

THE NATURE OF THE RIGHT TO A TRADE MARK
IN SOUTH AFRICAN LAW

by

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SUMMARY

Modern trade marks perform multiple functions taken up in a functional matrix. Amongst them the distinguishing function is invariable whilst the other functions are variable.

A legal-historical and comparative investigation of the law of trade marks in the United Kingdom, the European Union, the U.S.A. and South Africa reveals that only certain trade mark functions have traditionally been afforded protection under law. This is mainly because of a historical resistance to accepting trade marks as property in the Anglo and American trade mark systems and the primacy of origin theory in the European Community trade mark system.

The bedrock of South African trade mark law has been the trade mark law of the United Kingdom. The restrictions brought about by common law property theory have been carried over into the South African law of trade marks. The South African law of property is however derived from the civil law and not the common law.

The historical break in continuity of the common law trade mark tradition as a consequence of the interposition of the European Union and the reception of EC trade mark law in the United Kingdom affords the opportunity for a theory of trade mark rights to be established in South Africa which is derived from concepts already present in South African law.

The thesis proposes that the legal right to the trade mark in South African law is an independent subjective right of the kind proposed by Joubert. The legal object of this right is the trade mark. The entitlements of use of the holder of the right are the functions which the holder is entitled to have the trade mark perform. A range of values in which the property in a trade mark is to be found are associated with the functions. Unlawful impingement upon any function infringes the trade mark right.

This theory provides the Trade Marks Act, 1993 with a needed theoretical base.

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INTRODUCTION

Object

This thesis concerns the law of trade marks. It is directed at providing the right to a trade mark in the South African law with definition and gestalt.

The statutory and common law of trade marks in the United Kingdom has in the past provided the bedrock of the South African law of trade marks. South African trade mark law has been British law with a local gloss.

This has meant that the themes and conflicts in the law of trade marks in the United Kingdom have been carried over to South Africa. They are, for historical reasons, present also in the trade mark law of the U.S.A..

Therefore, to be clear regarding the law of trade marks in South Africa an investigation of the trade mark law of the United Kingdom including its genesis and its historically developed concepts and institutions is required. As the South African courts seek guidance in the trade mark and related law of the U.S.A. when the local law is silent a discussion of the trade mark law of the latter jurisdiction is helpful and relevant, also.

Trade mark law in the Anglo and American Common Law systems has been characterised by a tension between the approach which regards a trade mark as property in the hands of the holder of the right thereto and the approach which regards a trade mark as appurtenant to and symbolic of goodwill in the business of an enterprise without property existing in the trade mark itself.

This dichotomy has been received into the law of trade marks in South Africa where added tension is provided by the legal fact that the law of property in South Africa is derived from Civil Law and differs substantially from the law of property in the Common Law.

The historical interposition of the European Community in the macro sense and the reception of Community trade mark law in the micro sense has brought about significant changes to the Common Law trade mark tradition in the United Kingdom insofar as it has become oriented towards the policies of the European Community under treaty.

From the perspective of the South African law of trade marks a hiatus results. The continuum of the British mercantile trade mark law tradition previously relied upon is in truth no more. European trade mark law has its own agenda - the implementation of Common Market policies. These policies do not concern the internal rules of the trade mark law of South Africa.

A theoretical basis for the modern South African law of trade marks which is able to underpin the Trade Marks Act No. 194 of 1993 is, therefore, required. In my view, the South African law provides an internal solution. This thesis is a modest attempt to direct the South African law of trade marks towards it.

In order that Community policy might be distinguished from modernising rules of internal trade mark law present in the European model when applied in South Africa and because of its external legal-historical significance for the law of trade marks, the European Community is necessarily included as a jurisdiction of relevance to this work.

After the methodology of the thesis has been applied, the ultimate chapters provide a definition and description of the nature of the right to a trade mark based upon a particular South African conception of the theory of subjective rights which is then applied to the provisions of the Trade Marks Act, No. 194 of 1993.

Method

The method of the thesis has been to apply the legal-historical and comparative approaches (in the non-technical sense of the latter) to trade mark law in the jurisdictions of relevance to the South African law of trade marks - the United Kingdom, the European Community (the EC), the U.S.A., and, of course, South Africa itself.

The historical-legal method has been chosen because the Common Law is a historical system and the material legal institutions of its trade mark law are best clarified by considering their internal legal history and the external events which determined the circumstances and markets in which trade marks developed and functioned over time. The Medieval Guild period, the Industrial Revolution and the interposition of the European Community are of particular importance in regard to the external legal history of the Common Law trade mark systems.

The comparative method has been applied to the internal rules of the law of trade marks so revealed in the jurisdictions chosen. Corresponding aspects of the legal systems concerned have been considered and placed in comparative perspective in order to establish the

links between them. This has provided an effective means of showing that the trade mark functions are of universal importance and provide a key to revealing the nature of the right to a trade mark in the South African law.

The comparative method also becomes particularly useful in the final chapter where the similarities and differences between the most recent trade mark statutes in South Africa and the United Kingdom and their relation to the European Directive are discussed and considered.

The material legal institutions which the thesis concentrates upon are the requirements of registrability and the concepts of distinctiveness, infringement and the assignment and licensing of trade marks.

Application of the methodology reveals that the obstacle to regarding trade marks as property largely results from a failure by the law to protect the full range of functions trade marks present in modern markets. The historical break afforded by the interposition of the EC affords the South African system the opportunity of protecting the entire range of trade mark functions on a basis ultimately revealed within the institutions of our own law.

This is not to say that useful learning elsewhere cannot be relied upon. In particular, the links with the trade mark laws of the United Kingdom are too strong to discount. There is, however, a present need to provide the South African law of trade marks with a sound theoretical basis derived from principles of South African law. Otherwise distortion of the new South African system could result through the application of

the new laws with reference to outmoded and inappropriate concepts and doctrines of the past or with reference to new concepts and doctrines arising in the United Kingdom or in Europe which are primarily a means of implementing Community policy of no internal relevance to the South African law of trade marks. A touchstone is required against which the application of principles derived from the aforementioned sources might be tested. This can be provided by a suitable theoretical underpinning for the new South African system.

Structure

The thesis is structured into six parts.

Part 1 is entitled: **Trade marks : Their origins, early functions, the early law and the genesis of enduring themes.** It comprises four chapters. The first chapter commences the legal-historical investigation of the thesis and deals with marks in antiquity, Rome and the middle ages. The presence of the identifying, distinguishing, origin and assurance functions of marks are identified early. It is shown that the medieval guilds represent the first significant factor in the external history of the development of trade mark rights. The genesis of the modern trade mark is found in the function of marks in the cloth and cutlers trades as they developed into assets through the legal protection afforded them during the period.

The second chapter deals with the first to the Victorian and earlier American cases. Its perspective is the internal history of trade mark law. It is shown that the

controversial case of **Southern v How** bridged the gap between mediaeval and modern marks whilst the Victorian cases in common law and equity established the basis of the law which would endure to the end of the twentieth century. At common law the trade mark infringement action was established as passing off in a specific guise with fraud as its essential element. The basis of trade mark policy was to protect the public against deception. Fraud was not an element for relief in equity which afforded protection to trade marks as property. This gave rise to the central and enduring debate in the Anglo American trade mark systems as to whether trade marks comprise property *per se*. This issue is reflected also in the early US cases discussed. From the perspective of the external history of trade mark law the chapter deals briefly also with the Industrial Revolution which led to trade marks taking on a modern guise.

The third chapter considers the first trade mark Acts in Britain and the United States. It considers the internal legal history of the early British enactments from the 1875 to the 1919 Act and the early US statutes from the 1870 to the 1905 Act. It shows that the British Acts were more sophisticated and detailed and, significantly, were based upon the property law approach of equity. The enactments in both jurisdictions saw the introduction and development of the distinctiveness concept about which technical rules and terms of art soon came to abound.

Chapter 4 considers the leading cases in the United Kingdom and the U.S.A. at the commencement of the twentieth century which hardened the central division in the internal legal history of trade mark law between property and anti - property approaches into a rigid

rejection of the concept of property in trade marks *per se*.

Part 2 is entitled: **The law under the 1938 Act; trade marks, goodwill, property and the development of enduring themes.** It comprises chapters 5 to 9 of the thesis. The UK trade mark statutes prior to the Trade Marks Act, 1938 enacted the common law with the prevention of public deception and confusion as the fundamental premise of the statutes. The 1938 UK Act introduced matter not present in the common law which undermined the primacy of the public interest policies of the earlier enactments. The innovations related primarily to an extended infringement action and provisions for the licensing and assignment of trade marks including assignments without goodwill. Chapter 5 discusses the changes introduced by the 1938 UK Act and the considerations which led to change.

The 1938 UK Act, which influenced South African trade mark law in a fundamental way, and which is, therefore, considered in some depth, featured a number of complex provisions. Because of the importance of the enactment those of its provisions most relevant to an investigation as to the nature of the right to a trade mark are dealt with at some length. Thus, chapter 6 deals with those detailed provisions of the Act which defined marks and trade marks, determined the distinctiveness criteria for registration and provided bars to registration. Chapter 7 reviews statutory infringement under the earlier enactments and the complex infringement provisions of the 1938 UK Act in particular. Chapter 8 reviews the concept and history of goodwill in the common law and the development of the

premise that trade marks are appurtenant to goodwill and have no value in gross. This approach is based upon the exclusive validity of origin theory and the protection of the public from confusion as the overriding consideration of trade mark law. This thesis suggests that it is necessary to displace the foregoing entrenched concepts from their position of dominance if a property-based view of trade marks is to prevail. Against this background, chapter 8 reviews the assignment and licensing of trade marks under the old enactments and considers these topics in terms of the provisions of the 1938 UK Act.

The discussion of trade marks and goodwill as property in the Common Law is continued in chapter 9 in view of the importance thereof to this thesis. The chapter considers the concepts of rights and ownership in the Common Law and the place of goodwill and other intangible property such as intellectual property in the property law concepts of the Common Law. It is shown that at the time of the 1938 UK Act unregistered trade marks remained appurtenances to goodwill whilst registered trade marks were regarded as personal property in the nature of either choses in action or personal property *sui generis*.

Part 3 is entitled: **The law of trade marks in South Africa.** It comprises chapters 9 and 10. Chapter 9 discusses the development of early trade mark law in South Africa, the paucity of material regarding trade marks in the works of the old authorities and judicial confirmation of the law of trade marks in the United Kingdom as the bedrock of the South African trade mark law. The early statutory enactments concerning trade marks in South Africa are dealt with in this chapter

whilst chapter 10 considers the Trade Marks Act No. 62 of 1963 and particularly those provisions which differ from the corresponding provisions in the 1938 UK Act upon which it was based.

Part 4 is entitled: **The reception of European Community law.** In the external history of the British trade mark system the interposition of the European Community and the reception of EC trade mark law in the United Kingdom is the most significant historical fact since the Industrial Revolution. The impact of this historical interruption upon the development of the South African law of trade marks needs to be assessed with direct reference to the community system itself of which chapter 12 provides a brief and necessary overview. Chapter 13 deals with the elements of the European Community trade mark system and the significance and context of the jurisprudence of the European Court of Justice in relation to modern trade mark law.

Part 5 is entitled: **Modern trade mark law in the U.S.A..** It comprises chapter 14. It addresses the central theme of US trade mark law which concerns the development of the concept of trade marks as property and matters related thereto. These include whether trade marks foster or limit competition, extended protection for trade marks as quasi-property under the common law, protection under the Lanham Act and the anti-dilution statutes and theory. The relevance of modern trade mark law in the U.S.A. in relation to the South African law of trade marks is assessed. This chapter reveals the crucial importance of trade mark functioning, an aspect taken up fully in chapter 16.

Part 6 is entitled: **Trade mark functions, the subjective right to trade marks and the new law.** It comprises chapters 15 to 17. Chapter 15 is devoted to the multiple functions trade marks perform and proposes that all the aspects of trade mark functioning must be protected by law. It proposes the concept of the functional matrix in which the entitlements to the subjective right to a trade mark, formulated in chapter 16, are to be found. Chapter 16 considers South African property law and the theory of subjective rights in the South African law and in the Common Law and proposes that the right to a trade mark in the South African law is a property right in the nature of a subjective right with entitlements of use derived from the functional matrix of the trade mark. It submits that the right to a trade mark is an independent right enforceable under the common law of South Africa which is protected by the Aquilian action in addition to the statutory trade mark infringement actions. The chapter provides a definition of the right and a description of the entitlements of the holder.

Chapter 17 deals with the most recent statutes in the United Kingdom and South Africa against the background of the European Directive. The provisions of the enactments are compared and differences noted and discussed. The chapter completes the legal-historical discourse of the thesis and reveals the want of an existing theoretical base for the Trade Marks Act, No. 194 of 1993. The theoretical conclusions of chapter 16 are applied to the Act and the Act is assessed with reference to criteria proposed as essential in a modern trade mark system.

Conclusion

This thesis is, therefore, a comprehensive legal

historical and comparative legal study of British, American and EC trade mark law in general and the trade mark law of South Africa in particular from the time marks identified and distinguished things in antiquity and Rome to the time of recognition of multiple-function trade marks at the turn of the twentieth century. It arrives at the conclusion that the historical and comparative data revealed requires the modern trade mark law of South Africa to develop according to the principles of its own legal system whilst taking cognizance of developments regarding the new laws in the United Kingdom and material derived from the European Community trade mark system and the U.S.A.. To this end a definition and description of the trade mark right derived from a civil law oriented theory of subjective rights as adapted in the South African legal system is proposed and applied to the Trade Marks Act, No. 194 of 1993.

PART 1

*TRADE MARKS : THEIR ORIGINS, EARLY FUNCTIONS,
THE EARLY LAW AND THE GENESIS OF ENDURING THEMES*

CHAPTER 1

ANTIQUITY, ROME AND THE MIDDLE AGES

In order to qualify as a trade mark, a mark must be able to identify and to distinguish goods or services in the market place. A mark with this property performs two linked trade mark functions, namely, the identifying function and the distinguishing function. The writer mentions this at the outset in order that it might be noted from what follows that the linked identifying and distinguishing trade mark functions originated in the marking of goods during ancient times. So too the function of indicating the ownership of goods.¹

This chapter comprises a brief historical overview of marks upon goods from antiquity to the Middle Ages. Emphasis is placed upon the functions performed by early marks and the legal protection afforded them.

1. FROM ANTIQUITY TO ROME

The earliest known marks included brands on animals and markings on pottery, stone, bricks and tiles. It is not known as to exactly when or which ancients started marking goods.

The commencement of animal husbandry dates to approximately 9000 BC and the branding of cattle and other animals is believed to be the oldest form of marking chattels.² Branding was used from earliest

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1. Trade marks (including service marks) perform multiple functions. It is my thesis that the distinguishing function is invariable, for should the capacity to distinguish be wanting in any particular mark it will not qualify as a trade mark. Other functions are variable in that their presence is not a determinant of whether a particular mark qualifies as a trade mark or not. This is fully explained in chapter 15. See p 499 *infra*.
 2. Garraty & Gay *Columbia History* 36, 48. (But see also 46 and Leakey and Lewis *Origins* 268 regarding Upper Paleolithic art).

times to indicate the ownership of branded goods and this function of a branded mark is still present today.³ The modern synonym for a trade mark, namely, "brand name", has its origins in the branding of animals by ancients.⁴

Although intended to indicate ownership these ancient marks served also to identify and distinguish the goods of one owner from those of another. If a mark could not function in this way it could also not pin ownership of the goods so marked.

Pottery was discovered in the Near East probably around 7000 BC and by 6000 BC pottery was already plentiful at Catal Huyuk (in Turkey) as well as at a farming settlement, Nea Nicomedia, in Macedonia. Pottery soon came to feature marking. As to when pottery marks first came to fulfil functions not merely decorative is not certain.⁵

Markings dating from the Mesopotamian and Egyptian periods have been identified on bricks and tiles. The markings functioned to indicate the construction project for which the goods were earmarked or featured the name or symbol of the monarch of the time. Later, Roman terracotta tiles and bricks often featured their maker's

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3. Diamond 65 TMR 265 - 290 (1975) 266-267; McClure 69 TMR 305-356 (1979) 310; McCarthy *Trademarks and Unfair Competition* 131-132.
 4. Diamond 267; The word "brand" is derived from the Old English. A "brand" was originally a "piece of burning wood". In the 16th Century "brand" came to be applied to an identifying mark made with a hot iron. This provided the basis for its modern meaning of a "particular make of goods" which developed during the 19th Century: See Ayto *Word Origins* 76. A "brand" was included in the list of registrable markings in the earliest British legislation which referred to cases of branding on metal goods, wine corks, and possibly watermarking of paper. See Sebastian *Trade Marks* 33.
 5. Garratty & Gay *Columbia History* 54; There is uncertainty amongst trade mark historians regarding the date of invention of pottery and the accuracy of the dating of marks featured on ancient pottery. See Diamond 265-266; Paster 59 TMR 551-572 (1959) 552 has it that the earliest pottery of discernible origin was produced in China at approximately 2700 BC.

name or a factory mark of origin.⁶

2. *ROME*

Pottery jars were a necessity of daily life in Greece and Rome and the maker's name usually featured on the handles.⁷

The marking of goods in Rome was not, however, confined to tiles, bricks and pottery. Roman masonry, for instance, has revealed quarry marks indicating the source of stone as well as stone-cutters' signs identifying the individual masons who worked on certain pieces. This is not to say that stone-marks and stone-cutters' signs were unique to Rome as they have been found upon Egyptian structures dating to 4000 BC, in the temple of Solomon in Jerusalem and amongst the ruins of Troy, Olympia and Damascus.⁸

Also featuring marks in Roman times were oil lamps, lead pipe, marble, glass works, bronze instruments, gold, silverware, gems, knives and other iron articles. Signboarding was also known.⁹ Roman cheeses and wine containers were marked to indicate the origin of the product and, on occasion, also its quality.¹⁰

It has been suggested that whereas no action was available to the proprietor of a fraudulently imitated mark the purchaser of fraudulently marked goods was afforded a Roman civil law action against the vendor.¹¹

6. Diamond 268-269.

7. Diamond 267. Although goods were extensively marked in early Greece, as well, this requires mention only, for, from the point of view of trade mark development, the period does not appear to be particularly significant.

8. Diamond 269-280. See also Drescher 82 TMR 301-340 (1992) 309-311.

9. Diamond 271-272; Paster 554.

10. "The famous cheeses of Etruscan Luna were marked with a picture of that city. Perhaps the most important commodity to the ancient Romans, wine, was subject to extensive trade mark use, the jugs often describing the origin of the grapes, the manufacture of the wine, and later the date of the wine's pressing.": per Paster 554.

11. See McClure 310; Paster 554.

The availability of a civil law action in the foregoing circumstances has, however, never been definitely reported and no action of this kind has been found in the commentaries of Roman jurists.¹²

Though clear evidence of a legal remedy based upon misrepresentation involving a mark is not to be found before or during Roman times, from the perspective of function it is clear that in the commerce of Rome marks were used to indicate the origin of goods and in some instances their quality. It has also been suggested that in anticipation of the production marks of the Middle Ages, ceramics were marked pursuant to Government regulation in such a way that responsibility for inferior goods could be absolutely established and faulty workmanship punished.¹³

3. *MARKS ON GOODS DURING THE MIDDLE AGES*

Prior to the resurgence of learning and trade during the late middle ages (roughly the 14th to the 16th Centuries), the almost universal absence of literacy led to the virtual disappearance of markings upon goods. With the revival of learning during the period of resurgence various types of marks upon goods, however, reappeared.¹⁴

4. *THE MEDIEVAL GUILDS*

The marking of goods increased substantially from the Middle Ages onwards and with few exceptions the

12. Paster 554-555. He relies upon Kohler *Das Recht des Markenschutzes* (Wurzburg 1884). See however Hertzog *Functional Theory* 2 Footnote 7.

13. McClure 310; Paster 554. As my brief discussion of the earliest periods is directed at discerning possible legal protection afforded marks and the function of marks with reference to the genesis of trade mark law, I have not discussed matters such as the marking of porcelain in China (see Diamond 267), the substantial trade between India and Asia Minor during the period 1300-1200 BC when the Hindus regularly used marks on their goods (see Diamond 270) and the marking of goods during Biblical times (see Paster 553).

14. Diamond 272.

proliferation of marks in medieval times was due to the rise of the merchant's and artisan's guilds. Guilds first appeared in Northern Europe from about 1000 AD and were later to grow rapidly as craft and trade guilds during the 13th Century. From at least the 13th Century the guilds regulated standards of workmanship and training whilst courts were held to resolve differences amongst members. With time, the guilds developed their own customary laws and corporate organisations developed.

In fixing and controlling hours of work, prices, methods of selling and output, the guilds grew in power and importance. Profits were maximised through monopolistic restrictions, which multiplied. The guilds frequently gained State recognition and were often used by the State to regulate the economy. Although they began a steady process of decline during the 15th Century, it required the Industrial Revolution and the growth of *laissez' faire* social and economic philosophy to bring about their final decline.¹⁵

5. *MEDIEVAL MARKS IN GENERAL*

The various types of marks which were used in the Middle Ages may be classified into personal marks, house marks, geographical marks, merchants' proprietary marks and production marks.

Personal marks identified individuals and included coats of arms, signets and seals. House marks were affixed to houses to identify the families who lived there. In the event of the occupant becoming an innkeeper or shopkeeper the house mark would feature upon a sign which indicated this to customers whilst if the house was that of an artisan the mark would come to be applied to his goods. Marks of geographical origin indicated the

15. In England, the Municipal Corporations Act, 1825 finally abolished guild monopolies. In the interim, the guilds had given rise to the 16th Century joint-stock company, precursor of the modern corporation; Regarding the guilds generally see Walker *Oxford Companion* 544; Garraty & Gay *Colombia History* 388, 404; See also paragraph 11 p 15 *infra*.

place of origin of the goods featuring them. Merchants' marks (also known as proprietary marks) indicated ownership of the goods in connection with which they were used. Production marks fixed responsibility for poor quality merchandise.¹⁶

Branding of cattle continued as in ancient times whilst other markings were placed upon all kinds of goods during the Middle Ages. Bells were marked in Switzerland as far back as the 12th Century, pottery was marked as before and stone masons' marks continued in use. Watermarking of paper started in Italy and France during the 13th Century and eventually came to indicate origin rather than serving merely to decorate.¹⁷ Printers' marks and devices were not regarded as property and there is no evidence that they were transmissible or transferable.¹⁸

The plethora of enactments relating to medieval marks, which underpinned the activities of the particular guilds with which the marks were associated, provided in the main for their being used for a particular purpose at the time of the enactment concerned. Thus, through the centuries of the Middle Ages, specific enactments can be found both in England and on the Continent relating to bakers' marks, goldsmiths' marks, silversmiths' marks, metalsmiths' marks, the marks of crossbow makers, arrowhead makers, coopers, wax-workers, clothiers and pewterers.¹⁹

16. Diamond 272-273, 277. See also Drescher 313-320.

17. See Diamond 273-275 for a discussion of medieval marks generally (including printers' and publishers' marks); see also Schechter *Historical Foundations* 77. Schechter's work, a doctoral thesis published by Columbia University during 1925, comprises an in-depth and scholarly historical investigation of marks with particular emphasis upon the marks of the medieval guilds. For a critical note on Schechter's work see Hiebert *Parallel Importation* 12-13.

18. Except possibly in France during the 16th Century: see Schechter *Historical Foundations* 77.

19. Diamond 277-280; Schechter *Historical Foundations* 21.

6. MERCHANTS' MARKS

Because of their importance in the genesis of the modern trade mark, merchants' marks, (which were also known as proprietary marks), require closer scrutiny. Merchants' marks were placed on goods prior to shipment in order that they might be recovered and ownership therein proved after their loss by piracy or through shipwreck.²⁰

Marks of this kind were extensively used in medieval England. Their use at the time was widespread throughout Continental Europe, as well, where they were afforded sophisticated legislative protection in many territories. In France, for instance, marks were already by the 13th Century regarded as property and afforded civil law protection against infringement.²¹

In England, constant legal protection was given to merchants' marks from the 14th Century onwards. The merchants' proprietary mark afforded almost conclusive evidence that the owner of a mark featured upon or used in connection with lost goods or the packaging of lost goods, owned the goods. This proprietary function of merchants' marks was not recognized only in connection with piracy or shipwreck but was also applied on occasion to goods lost in England or abroad through theft.²²

An apt illustration of the function of the merchants' marks and the protection they afforded is the following: piracy was endemic during the reign of Edward III (1327 - 1377).

To protect merchants, "privy or Stranger", it was provided by statute in 27 Edward III (1353) that should

20. McClure 310. Schechter *Historical Foundations* 21.

21. Paster 557-560, referring to the classic works of Lucien-Brun *Les Marques de Fabrique et de Commerce* (Paris 1895) and of Kohler (see footnote 12 p 4 *supra*).

22. Schechter *Historical Foundations* 27-29.

any merchant be robbed of his goods at sea and his property therein were proven, the goods would be restored to him upon summons without suit at common law being required. Goods washed ashore after "Tempest or other Misfortune", if not wreck, would be similarly restored upon ownership being proven. One of the three methods of proving ownership under the statute was identification of the goods with reference to marks featured thereon or upon the packaging. Wreck belonged to the King and referred to cargo from ships lost at sea which could not be identified by the marking featured upon the cargo or by other recognised means after it had been washed up upon the land.

The records of Admiralty and the Privy Council of the 16th Century are replete with references to merchants' marks which were not only affixed to goods but endorsed also upon bills of lading and entered into the registers of ships.

Schechter assesses the significance of merchants' marks as follows:

*Summarising briefly the evidence adduced in this chapter, mediaeval proprietary marks, while not, strictly speaking, trade-marks in the modern sense of the word, were an important factor in the development of modern trade-mark law. As appears from municipal documents and the records of the Admiralty Courts, and also from the statute of 27 Edward III, merchants' marks were regarded as establishing prima facie and often even conclusive evidence of the ownership of the goods to which they were affixed. This proprietary significance of merchants' marks still survives in and distinctly tinges the judicial concept of the function of a trade-mark.*²³

23. Schechter *Historical Foundations* 34. My discussion of merchants' marks is derived from chapter II (19-34) of Schechter's work. This chapter deals also with merchants' personal marks which must not be confused with the merchants' proprietary marks discussed in the text. Merchants' personal marks were marks of personality: When merchants became prominent they sought to perpetuate their achievements through the marks they had used to designate their products by having them placed in churches to which they had contributed, in house windows, upon grave stones and

7. PRODUCTION MARKS

Of even greater importance to modern trade mark law is the production mark of medieval times. Production marks were marks which guild craftsmen were compelled to place upon the goods they made in order to identify their source and so fix responsibility for poor quality merchandise or poor workmanship.

The use of production marks was rigidly controlled by the guild system in medieval England. Municipal law and guild rules required each local guild to place its distinctive mark on all goods of its manufacture. In facilitating the tracing of defective goods which would lead to punishment of the offending craftsman, production marks served the collective good of the guild. The interests of the guild were further served by production marks in that they enabled the guild to enforce monopolies. Guilds were established by grant or charter from the Sovereign, giving the guild a monopoly in the production and distribution of its product in a defined geographical area. Thus, through identification of marks upon goods appearing in a market outside their approved distribution area, territorial trade barriers could be enforced. Because they were applied to police poor workmanship and to enforce monopolies, production marks were regarded a liability.²⁴

The guilds were, therefore, anti-competitive and regulatory: craftsmen producing wares defective in material or imperfect in workmanship not only violated the criminal code or police regulations, but perpetrated

23. (cont) upon public buildings in respect of which they had been a benefactor. Later, the marks were featured on shields and upon trade tokens. Personal merchant's marks evoked the ire of the Heralds who asked "whether trade did now extinguish gentry" - with little impact on the proliferation of the marks: (see Schechter 23-25). Merchants' proprietary marks are more significant from a trade mark perspective because of their commercial function of indicating ownership.

24 McClure 310-311; Diamond 277; Schechter *Historical Foundations* 38,47. Schechter points out that with the exception of the printing and publishing industries and some others, production marks were compulsory in practically every trade in England and on the Continent

an injury to the collective goodwill of the guilds, as well.²⁵

The profuse guild legislation was specifically directed at maintaining standards of workmanship for the protection of a collective guild goodwill and both the physical circumstances surrounding guild life and the economic theories underlying guild functions worked against the development of a craftsman's personal goodwill and the exploitation of a mark as its symbol.²⁶

Nevertheless and despite guild regulation, production marks eventually came to acquire a secondary significance, namely, as a symbol of the excellence of the maker's workmanship and wares.²⁷

Apart from the compulsory production marks which craftsmen were compelled to affix to their wares, the proprietary or personal mark could also function as the symbol of a personal goodwill.²⁸ Notwithstanding the potential of merchants' proprietary and personal marks to reflect a personal goodwill, however, it was ultimately the production mark which through time became a valuable symbol of individual goodwill and, as such, an asset rather than a liability to skilled craftsmen.²⁹

The most significant development regarding production marks from the point of view of the genesis of the modern

25. Schechter *Historical Foundations* 46.

26. Schechter *Historical Foundations* 62.

27. Schechter *Historical Foundations* 47.

28. Schechter *Historical Foundations* 63.

29. Diamond 280 sums up thus: "In summary, the guild marks which were the principal development of the medieval period very largely were compulsory marks whose primary purpose was to fix the blame for inferior workmanship. They evolved into trade marks in the modern sense when goods began to be shipped for substantial distances. There no longer was direct contact between the consumer and the artisan in his workshop. Preferences for particular workmanship began to develop and, as in modern times, the trade mark on the goods made it possible for the consumer to identify a product with its source."

trade mark through the development of personal goodwill took place in industries producing commodities capable of transportation over long distances - goods such as cloth, cutlery and to some extent pewterware - as opposed to baked goods and other perishable foodstuffs.³⁰

8. *THE CLOTH AND CUTLER'S TRADES*

The idea of a collective goodwill enjoyed by a particular locality or guild and of the protection of a mark or seal as the symbol of that collective goodwill is a common feature of the history of medieval commerce. Virtually every guild compelled the fixing of its seal or mark to the products of the members in the exercise of its policing functions. In many instances, the seals or marks which were the symbols of the municipal authorities under whose auspices a particular guild fell became assets of great value to the corporation or *universitas* from which they came. In some instances and with the passage of time, goods bearing them were sold merely on the strength of the marks without the purchaser opening or carefully scrutinising the goods to which the marks were affixed, for example, with bales or bolts of cloth in the cloth trade.³¹

It is to be expected, therefore, that the evolution of an individual goodwill in a milieu where the emphasis was upon a rigidly enforced collective goodwill and monopoly did not come about easily. Ultimately, however, developments in the cloth and cutlers' crafts cracked the collective cast and it is especially in the cloth and cutlers' trades of England where the evolution of a mark upon goods from a mark of origin to a mark of quality - and hence from a liability to an asset of distinct value to the owner of the mark - can be clearly discerned.³²

30. Schechter *Historical Foundations* 63.

31. Schechter *Historical Foundations* 79-80.

32. Schechter *Historical Foundations* 80.

9. CLOTH MARKS

The development of a collective goodwill was particularly conspicuous in the cloth trade in England although it was found connected also to a number of high quality corporate and regional trades on the Continent.³³

Wool had become England's major export by the later Middle Ages. Through active intervention by the Crown, cloth represented two-thirds of England's exports by the end of the 17th Century.³⁴ The Crown undertook the regulation of the cloth trade from very early times, directing it through government and guild officials, jointly. Early statutes relating to clothmaking are to be found during the reign of Richard II (1377 - 1399) and Richard III (1483 - 1485).³⁵

During the reign of Elizabeth I (1558 - 1603) especially, strong Royal control of the industry came about with the Privy Council placed in a central position.³⁶

Under this government protection, local and collective marks were further developed and protected, fostering the notion of a mark as an asset rather than as a liability. The reputation of a mark attached largely to a locality and the collective goodwill symbolised by a mark at this time had a distinctly geographical connotation.³⁷ Despite the added protection of the Crown, local reputations were still guarded jealously by local authorities.³⁸

33. Schechter *Historical Foundations* 78.

34. Schechter *Historical Foundations* 81.

35. These early statutes were 15 Richard II and I Richard III. See also Schechter *Historical Foundations* 84.

36. Schechter *Historical Foundations* 94.

37. Schechter *Historical Foundations* 82.

38. Schechter *Historical Foundations* 81.

In general, however, the growth of the cloth industry was too rapid for guild restrictions to restrain it and the guild system thus broke down first in this trade.³⁹

From 1591 onwards, the Privy Council was charged by the Crown with the whole subject of 'trade' marks, both individual and collective. This came about as a response to the then popular demand for cloth to be purchased on the basis of the seals featured therein as well as in response to substantive losses both in the clothing trade and to royal revenue brought about at the time through the debasement of cloth seals, then common.⁴⁰

The Privy Council soon indicated that it would use its new power and during 1592 in the case of John Godsall, a Taunton clothier, it recognised and protected the clothier's individual mark. This was significant in that the value of a clothier's personal mark, as opposed to a weaver's mark with its geographical connotations, for example, obtained protection.⁴¹

During the period of the Stewarts (1603 - 1714) a system of trade marks became quickly established in the cloth trade.⁴²

Schechter suggests that the proclamation of Charles I in 1632 against "frauds and deceits used in Draperie" illustrates that by its date at least some lawyers of the 17th Century had already perceived "trade marks" to be symbols of goodwill and assets of value rather than merely regulatory marks of origin and, as such, a liability.⁴³

39. Schechter *Historical Foundations* 86; See also McClure 311.

40. Schechter *Historical Foundations* 87-88; McClure 311.

41. Schechter *Historical Foundations* 91; McClure 311.

42. Schechter *Historical Foundations* 94.

43. Schechter *Historical Foundations* 94,96.

Thus, the contribution of the English cloth trade to trade mark development was that it led to a perception that marks not only identified defects but could also indicate good qualities emanating from a source of production revealed by the marks. Although not yet so regarded by the common law courts, the national administrative courts of the time - such as the Kings Council and the Star Chamber-perceived marks to be assets worthy of protection.⁴⁴

10. CUTLERS' MARKS

In **Schechter's** view, the cutlers' marks, especially, provide a link between the typically regulatory and liability marks of the middle ages and the modern view of a trade mark as an asset and as property. Like other medieval marks, cutlers' marks originated as police marks but they became of such great value to their users that the tribunals having jurisdiction over the cutlers came to protect their marks as being subject to a qualified legal ownership. Thus, an individual cutler was afforded protection against infringement of his mark and damages for its infringement, his mark could be sold or leased, his widow had a life estate in his mark, whilst his sons had a claim to its reversion. These concepts were practically exclusive to the cutlery trade although at later stages there is evidence of their germination in the pewter and other industries.⁴⁵

A review of the history of cutlers' marks evidences their evolution from the compulsory production marks of the Middle Ages to marks having the characteristics of early trade marks. The cutlers' records show a sense of

44. Schechter *Historical Foundations* 101-102.

45. See Schechter *Historical Foundations* 102, 108, 110, 121. McClure 311 holds that early in the 15th Century marks in the cutlery industries began to evolve from marks of origin to marks of quality.

property and value in the marks as early as the 15th Century and there is evidence of recognition of the widow's right during 1452. By the 17th Century, the records show recognition of limited transactions for the purchase of cutlers' marks, their transmissibility, albeit also limited, and vigorous measures to protect them.⁴⁶ Under 41 Geo III, enacted in 1801, the right of any Freeman of the Cutlers' Company to bequeath his mark subject to the widow's right to a life estate therein was confirmed.⁴⁷

11. *THE MEDIEVAL PERIOD AND THE LAW*

I conclude this survey of the marks of the medieval period by considering them in the context of the law of the guilds and from the perspective of their role in the development of the modern trade mark.

Until at least the 15th Century, the guild system provided the whole organisation of industry. This continued even when the industry became a matter of national rather than local organisation. As the Crown still relied upon the guilds and companies to supervise all manufacturing activity, Royal grants and monopolies formed a regular and almost universal feature in guild charters and required a high standard of merchandise and workmanship. As I have recorded, these monopolies and standards were enforced and policed by means of production marks.⁴⁸

Marks of this kind initially functioned in at least three clearly discernible ways, namely, to identify and distinguish goods, to fix the source of goods and to enforce monopolies. As will become clearer later, the link between marking goods and the monopolies of the period, coupled with later Royal abuses in the grant of

46. Schechter *Historical Foundations* 101.

47. Schechter *Historical Foundations* 121.

48. See p 9-11 *supra*.

monopolies, ingrained anti-monopoly feelings deeply within the psyche of Anglo-American economists and jurists and the debate as to whether trade marks lead to monopolies remains topical and will be considered later on in this work.⁴⁹

It is also abundantly clear that production marks were inextricably linked to considerations of quality, functioning to identify poor quality initially but eventually, as a corollary, functioning also to ensure that the craftsmen performed to high standards. In the clothing and cutlery trades certain marks came to function as badges of quality with reference to which purchases were made.⁵⁰

In the guild itself, cooperation and not competition was the order of the day. The guilds and the companies which succeeded them repressed the establishment of an individual goodwill on the part of the members, nurturing instead a guild or collective goodwill. This was sustained even up to the 17th Century when their control over members eventually began to wane. An environment in which the actual producer of goods sold directly to the consumer in circumstances of an ongoing direct relationship and close physical proximity was also not conducive to trade competition developing.⁵¹

It was the cloth and cutlers' industries which broke through the territorial and other trade barriers. Cloth marks, first in the geographical sense and later in an individual sense, and cutlers' marks, enabled individual craftsmen to obtain individual value from their marks' reputation as opposed to the collective goodwill fostered by the guilds.

49. See chapter 14 *infra* paragraph 2 p 391-405.

50. Schechter *Historical Foundations* 41-42, 44; p 11-15 *supra*.

51. Schechter *Historical Foundations* 124-125.

As far as the law was concerned, medieval marks were founded in the guild system and for centuries the guilds and towns established, promulgated, administered and in their customary courts, adjudicated upon the monopolistic rules and regulations of the guilds. The masters and warders of the guild were charged with arbitration amongst guildsmen and for guildsmen to resort to litigation at common law was a grave offence which could lead to expulsion. Non-litigation ordinances were enacted regularly up to the commencement of the 17th Century despite an Act of Parliament in 1504, 19 Hen. VII c. 7, which prohibited non-litigation ordinances.

The guild jurisprudence and consular law developed by administrative courts such as the Kings Council and Star Chamber were the primary source of and had by the 17th Century made the major contribution towards the law regarding marks. In the light of this, the absence of reported cases in the common law at that time is to be expected.⁵²

From the point of view of the common law it must be noted that rules which were applied for centuries in the customary courts of the guilds and towns were not contemporaneously recognised by the Royal courts of England. No matter how uniformly administered, the customs of merchants were not recognised as English common law. It is ironic that the entire body of commercial law which had previously been decided by communal courts was not received as law by the courts of common law when these matters came to fall under their jurisdiction, whilst the commercial rules applied for centuries in the English common law courts were European law and not indigenous English law.⁵³

52. Schechter *Historical Foundations* 126-127.

53. Schechter *Historical Foundations* xi-x (per Munro Smith in the foreword of the work).

12. *IN SUM*

Marks have been placed on goods and chattels since antiquity. Probably the first non-decorative marks were brands upon animals which enabled their owner to identify and distinguish his animals from those of others.

Marking of goods has continued throughout history. It was evident in Rome throughout the early period of our legal history. In Rome and elsewhere, certain marks functioned not only to identify and distinguish goods but also to indicate origin and to indicate quality. There is, however, no evidence of a civil action being available to redress the fraudulent imitation of a mark during the Roman period.

Marking of goods virtually disappeared during the dark ages but a resurgence took place during the medieval period when the marking of goods became widespread.

Amongst the medieval marks it is the merchants' proprietary marks - which served the commercial function of indicating ownership - and the production marks, especially, which are significant from the point of view of the development of the modern trade mark.

Whilst serving initially as symbols of a collective guild goodwill, production marks, particularly through their development in the cloth and cutlers' trades, came to reflect the personal goodwill of individual craftsmen and were regarded and protected as his property by the guild and Royal administrative courts of the time. Protection was also afforded to such marks under certain national enactments - albeit not on an extensive scale.

The evolution of the production mark from a liability and symbol of collective goodwill to a symbol of the craftsman's individual goodwill - and as such an asset - was the primary contribution of medieval marks to the development of the modern trade mark.

Marks were not, however, protected in the medieval common law courts which did not recognise customary guild and administrative law as part of the common law.

As the following chapters will show, the protection of trade marks by the common law courts was a long time in coming, whilst the modern trade mark was to establish itself only in the second half of the 19th Century.

CHAPTER 2

FROM THE FIRST TO THE VICTORIAN AND EARLY AMERICAN CASES

1. TOWARDS THE 19TH CENTURY

Despite attempts by the Tudors and Stewarts to regulate industry on a national scale during the medieval period and to bring goods marks under Royal control, goods marks had only a slight degree of national economic significance prior to the mid-19th Century (when the modern trade mark first developed). This accounts for the slow growth of the modern common law of trade marks both in England and the United States. For the most part, producer and consumer had remained in close contact until the advent of canals, railways and the factory towns of the Industrial Revolution.¹ With the tremendous expansion of the means of production and distribution came a concomitant increase in the advertisement of goods to acquaint consumers with the available goods. This led to marks upon goods soon becoming trade marks in the modern sense, obtaining a national significance far greater than in times of local monopoly. By the second half of the 19th Century, trade marks had become significant as assets of value in national markets.²

This chapter deals with the development of marks upon goods as they became modern trade marks through the cases both at law and in equity.

2. THE EARLIEST CASES

2.1 *Southern v How*

Linking the law of the Middle Ages with the rise of

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1. Schechter *Historical Foundations* 129; Diamond 282.
 2. Schechter *Historical Foundations* 130; Diamond 280.

modern trade mark law during the 19th Century is the case of **Southern v How**. There are five reports of this case,³ which was a King's Bench action for the sale of counterfeit jewels by the defendant to the plaintiff through the defendant's servant. It had no relation whatsoever to trade mark law but the report in **Popham** states at page 144:

*Doderidge said, that 22 Eliz. the action upon which the case was brought in the Common Pleas by a clothier, that whereas he had gained great reputation for his making of his cloth by reason whereof he had great utterance to his benefit and profit, and that he used to set his mark on his cloth whereby it should be known to be his cloth: and another clothier, observing it, used the same mark to his ill-made cloth on purpose to deceive him, and it was resolved that the action did well lie.*⁴

The next report of the case was in J Bridgeman's Reports published in 1659 where no reference to Dodderidge's *dictum* appears. The 1659 report of the case in Croke's Report provides a different version of the *dictum* stating unequivocally that the action was brought by the defrauded purchaser (not the clothier as indicated in Popham's report).

Volume II of Rolle's Reports contains two conflicting reports of the case: firstly regarding the term in which it was decided and secondly in not mentioning Dodderidge in the first report (2 Rolle 5). In the second report (2 Rolle 28), mention is made of the *dictum* from which it appears that the action was awarded to the purchaser and not the clothier, although this is not absolutely clear.

Schechter is sharply critical of the weight which had

3. Southern v How [1656] Popham 143; J Bridgeman 125; [1659] Cro Jac 469; 2 Rolle 5; 2 Rolle 28. My discussion of this case is gleaned from Sebastian, *Trade Marks* 6, 156-157, Schechter *Historical Foundations* 6-10, 123-124 and Paster 362, 571 Footnote 57.

4. See Schechter *Historical Foundations* 7.

been given to the legendary **Southern v How**:

*It is possible that some day in some moldering mass of unpublished records of the common law may be found a report of a case in the reign of Elizabeth by a clothier for infringement of his trade mark that will justify the authority with which **Southern v How** has been so unanimously endowed. Until that day, however, **Southern v How** would give no slight support to Dean Pound's complaint against courts and text writers by whom 'a principle was found latent in some meagrely reported, ambiguous and fragmentary pronouncement of a medieval court which had culminated in the latest decisions of English and American Courts.'*⁵

Sebastian states that there is uncertainty as to whether the plaintiff was the clothier or the purchaser but concludes, sensibly, that in the light of subsequent history, the principle was in any event established that the courts could redress trade mark piracy - whatever the particular circumstances of the case might have been. Schechter is constrained to agree that the English courts relied on the authority of **Southern v How**, unequivocally, to establish the antiquity of their jurisdiction to prevent trade mark piracy.⁶

Thus, **Southern v How** established the principle: a person who has suffered by reason of his trade mark being intentionally imitated by another has a right at common law to redress against the infringer.⁷

2.2 Other Early Cases

Two further cases decided prior to the 19th Century require notice.

The first, **Blanchard v Hill**,⁸ was a request for injunctive relief in equity against piracy of the mark GREAT MOGUL when used in respect of playing cards.

5. Schechter *Historical Foundations* 123.

6. Sebastian *Trade Marks* 6, 157; Schechter *Historical Foundations* 9; Paster 362.

7. Sebastian *Trade Marks* 157.

8. *Blanchard v Hill* 2 Atkyns 484. This case was decided in 1742.

Lord Hardwicke refused relief on the basis that protection of trade marks would create or protect monopolies, deciding in effect that there was no right of property in a trade mark, but that actual fraud might be restrained or punished as in **Southern v How. Sebastian** places the judgment in perspective:

*The decision seems in great measure to have been founded upon a dread of setting up a monopoly, the distinction between a trade mark and a patent not being clearly present in his Lordship's mind.*⁹

The case had no impact and generated no comment. It has been effectively ignored or repudiated by Anglo-American Courts of Law and Equity.¹⁰

Common Law piracy of a trade mark was touched upon in **Singleton v Bolton**.¹¹ **Lord Mansfield, CJ**, in the Court of King's Bench, stated the principle that should the defendant have sold medicine of his own under the name or mark of the plaintiff, this would have constituted an actionable fraud. The issues in the case at hand were, however, coloured by the question of transmissibility of a name, for the plaintiff's goods were being sold under the name of the inventor of the original medicine and not under the plaintiff's name or trade mark.¹²

3. DEVELOPMENTS IN TRADE MARK LAW DURING THE 19TH CENTURY

3.1 The Common Law

Trade mark rights were first recognised by the common law of England in 1824 in the case of **Sykes v Sykes**¹³ in which the plaintiff succeeded upon the following allegations:

- (a) he had made large quantities of goods which he labelled SYKES PATENT in order to distinguish them

9. **Sebastian Trade Marks** 6.

10. **Schechter Historical Foundations** 136-137; **Paster** 565.

11. **Singleton v Bolton** 3 Doug. 293, decided in 1783.

12. **Sebastian Trade Marks** 6; **Schechter Historical Foundations** 137.

13. **Sykes v Sykes** 2 B. & C. 541.

from goods of the same description manufactured by others;

- (b) he had a great reputation with the public on account of the quality of the goods so marked and made great gains selling them;
- (c) the defendant, appraised of the foregoing, made a large quantity of the same goods and marked them SYKES PATENT in imitation of the plaintiff's goods and sold them in quantity as the goods of the plaintiff without his consent or acquiescence;
- (d) the plaintiff was thus prevented from selling a great quantity of his goods and was also greatly injured in his reputation as the goods of the defendant were inferior.¹⁴

Abbott, CJ, decided as settled law that in order for the plaintiff to succeed in damages at common law he was required to prove:

- (aa) use of the mark to designate the goods of his manufacture;
- (bb) his mark was known in the trade;
- (cc) the defendant had imitated the mark and sold goods bearing it as and for the plaintiff's goods;
- (dd) the defendant had done so with intent to defraud.¹⁵

This case also decided for the first time in England that although goods sold with a pirated mark attached might not deceive an immediate purchaser, they could still deceive a later purchaser who might have had no notice of the fraud.

14. See Schechter *Historical Foundations* at 137-138 for the plaintiff's declaration and a discussion of the case; See also McClure 318, Blanco & White and Jacob Kerly 10th ed, 2-3.

15. See Schechter *Historical Foundations* 137-138 and Sebastian *Trade Marks* 7.

It settled the principle that whilst it was necessary at common law to prove a fraudulent intention it was not required that the defendant represent to an immediate purchaser that the goods were the plaintiff's. It was sufficient if he intended them to be resold as the goods of the plaintiff.¹⁶

According to **Sebastian**¹⁷, writing in 1899, this case also marked the ultimate stage of development in the law of trade marks at common law.¹⁸

Specific reference must, however, be made to the King's Bench decision in **Blofield v Payne**.¹⁹ It was specifically held in this case, decided in 1833, that it was not necessary for the plaintiff in an action for damages at common law to show that the goods sold by the defendant were inferior to the goods to which the plaintiff applied his mark, or to prove special damage had resulted from the actions of the defendant.²⁰

3.2 *Equity*

The earliest case in equity, **Day v Day**,²¹ granted injunctive relief against the infringement of a trade mark which featured a label placed upon blacking.

16. *Sebastian Trade Marks* 116.

17. *Sebastian Trade Marks* 6-7.

18. The case was decided well prior to the Judicature Acts, 1873-1875 and the Patents, Designs and Trade Marks Acts, 1883-1888. The Judicature Acts were statutes of 1873-1875 which abolished nearly all the then existing superior courts and placed the Supreme Court of Judicature in their stead. The civil procedure and the administration of law were rendered uniform. Law and Equity could be administered in all courts thereafter but in the case of conflict, the rules of equity were to prevail: See Walker *Oxford Companion* 672.

19. *Blofield v Payne* 4 B. & Ad.410.

20. *Schechter Historical Foundations* 142; Blanco White and Jacob Kerly 10th ed. 3. The authors observe that in *Edelstein v Edelstein* 1 De G.J. & S. 185 the principle in *Blofield v Payne* was held to be settled beyond doubt also in equity.

21. *Day v Day Eden on Injunctions* (1821).

The case was decided in 1816 and pre-dated **Sykes v Sykes**. Unfortunately, it is merely referred to in a work by **Eden** on injunctions, published in 1821, and no record of the reasoning of the court appears to be extant.²²

The leading trade mark case in equity decided during the 19th Century was **Millington v Fox**.²³ **Lord Cottenham** held that an injunction could be obtained to restrain infringement of a trade mark even though the infringement was in ignorance and without fraudulent intent. No authority was cited and **Blanchard v Hill** was ignored. The Lord Chancellor reasoned that whatever the intent of the infringer might be, purchasers would buy the infringer's goods in the belief that they were those of the trade mark owner who would thereby be deprived of custom intended for him. Thus, the infringer, whether by his own contrivance or not, would profit at the expense of both the trade mark owner and the public.²⁴

This case led to the recognition of the concept of property in a trade mark. **Blanco White and Jacob** write that the case recognised a "right of property" arising from adoption and use of a trade mark and observe that although the nature of this right gave rise to much discussion and was defined in different terms by Chancery judges in subsequent cases, it soon became firmly established and the protection of trade marks in equity was expressly based thereon. Common law courts never accepted the theory of property in trade marks, and

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- 22. **Blanco White and Jacob Kerly** 10th ed. 2; *Schechter Historical Foundations* 138.
 - 23. **Millington v Fox** (1838) 3 My. Cr. 338. **McClure** 313 suggests that this was the first time an English Court of Equity had granted an injunction for trade mark infringement as equity courts were prevented from doing so earlier due to the absence of any conception of a property right in the trade mark itself. I have, however, noted that an injunction had been granted earlier in *Day v Day* (*supra*). Other such cases were *Henry v Price* (1831) 1 Leg. Obs. 364 and *Gout v Aleploglu* (1833) 6 Beav. 69 See *Sebastian Trade Marks* 163.
 - 24. *Sebastian Trade Marks* 8, 165; **Blanco White and Jacob Kerly** 10th ed. 3-4; **McClure** 313; *Schechter Historical Foundations* 138-139.

at common law, fraud remained essential to a cause of action for trade mark infringement up until the time the Courts of Law and Equity were joined together under the Judicature Acts.²⁵

4. *TRADE MARK LAW AT THE TIME OF THE JUDICATURE ACTS 1873-1875 AND THE PATENTS, DESIGNS AND TRADE MARKS ACTS 1883-1888*

The law of trade marks at common law and at equity at the time of the Judicature Acts and immediately prior to the enactment of the Patents, Designs and Trade Mark Acts 1883-1888²⁶ is definitively set out in the following three *dicta* from leading cases of the time which are included in the text by virtue of their clear statement of the law. In **Singer Manufacturing Co. v V Wilson**,²⁷ decided in 1877, **Mellish, LJ** stated the common law thus:

Now, in my opinion, all actions of this nature must be founded upon false representations. Originally, I apprehend, the right to bring an action in respect of the improper use of a trade-mark arose out of the common law right to bring an action for a false representation, which, of course, must be a false representation made fraudulently. It differed from an ordinary action for false representation in this respect, that an action for false representation is generally brought by the person to whom the false representation is made; but in the the case of the improper use of a trade-mark, Common Law Courts noticed that the false representation which is made by putting another man's trade-mark or the trade name of another manufacturer, on the goods which the wrongdoer sells, is calculated to do an injury, not only to the person to whom the false or fraudulent representation is made, but to the manufacturer whose trade-mark is imitated; and, therefore, the Common Law Courts held that such a manufacturer had a right of action for the improper use of his trade-mark. Then the Common Law Courts extended that doctrine one step farther; first, if I recollect rightly, in the

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25. Blanco White and Jacob Kerly 10th ed. 3-4; Paster 566. According to McClure 313, however, the common law courts applied the intent-to-defraud rule for a period and ultimately accepted the equitable rule; See also GE Trade Mark [1973] R.P.C. 297 325.
26. These Acts are discussed in some detail in chapter 3.
27. **Singer Manufacturing Co v Wilson** 2 Ch. D. 434,453.

case of **Sykes v Sykes**. There it was held, that, although the representation was perfectly true as between the original vendor and the original purchaser, in this sense, that the original purchaser knew perfectly who was the real manufacturer of the goods, and, therefore, was not deceived into believing that he had bought goods manufactured by another person, yet if the trade-mark was put on the goods for the purpose of enabling that purchaser, when he came to resell the goods, to deceive any one of the public into thinking that he was purchasing the goods of the manufacturer to whom the trade-mark properly belonged, then that was equally a deception, a selling of goods with a false representation, which would give the original user of the trade mark a right of action. That was the Common Law right.

It must be noted that trade mark infringement at common law was regarded as passing off in a specific guise. A clear statement of the common law in this context is to be found in the words of **Lord Blackburn** in his review of the history of trade mark law in **Singer Manufacturing Co v Loog**:²⁸

*The original foundation of the whole law is this, that when one, knowing that goods are not made by a particular trader, sells them as and for the goods of that trader, he does that which injures that trader. At first it was put upon the ground that he did so when he sold inferior goods as and for the trader's (but it is established, alike at law: **Blofeld v Payne**, and in equity: **Edelstein v Edelstein**), that it is an actionable injury to pass off goods known not to be the plaintiff's as and for the plaintiff's, even though not inferior.*

The modes in which goods may be passed off as and for the plaintiff's vary. The most usual is where a particular mark on the goods or on the packages in which they are sold has been used to denote that they are made by a particular firm to such an extent that it is understood in the market to bear that meaning.

The law as to those trade-marks is now regulated by statutes, but before there was any legislation on the subject it was well settled that when any one adopted a mark so closely resembling the trade mark of the plaintiff

*that it would be likely to be mistaken for it, and put it on his goods and sold them, knowing that though the persons to whom he sold them were well aware that they were not the plaintiff's make, yet they were meant to be sold to others who would see only the trade-mark, and were likely to be deceived by its resemblance to that of the plaintiff, he might be properly found to have knowingly and fraudulently sold the goods as and for the plaintiff's goods: **Sykes v Sykes**. And, so far, there was no difference between law and equity. But at law it was necessary to prove that an injury had been actually done; in equity it was enough to show that the defendant threatened to do, and would, if not prevented, do that injury.*

But there is a further question on which there may be a difference between law and equity.

The final sentence refers to the ruling in **Millington v Fox** where it was held, as we have seen, that in equity it was not necessary to prove an actual fraudulent intention. An injunction would be obtainable if the conduct of the defendant, albeit innocent, would produce the effect of fraud.²⁹

The approach in equity holding that there is property in a trade mark is thus stated by perhaps its strongest proponent of the time, **Lord Westbury, C**, in **Leather Cloth Co. v American Leather Co.**:³⁰

The representation which the Defendant is supposed to make, that his goods are the goods of another person, is not actually made otherwise than by his appropriating and using the trade mark which such other

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29. See p 26 *supra* and Sebastian *Trade Marks* 8. Equity accepted the common law rule in *Sykes v Sykes* "...although the immediate purchaser from him is aware that the goods in questions are not manufactured by any other person than the vendor, yet, as he passes them on, the representation does not necessarily pass on with them, and therefore the next purchaser, or the following or some other purchaser, or the public at large who are the ultimate purchasers, would be as much deceived as if no such communication took place. Consequently, whenever you get to a case of the first-class, you have nothing more to do than to show that the trade mark has been taken." Per Sir G Jessel, M R, in *Singer Manufacturing Co. v Wilson* Ch. D. 434, 442.
30. *Leather Cloth Co. v American Leather Cloth Co.* 4 De G.J. & S. 137, 142.

person has an exclusive right to use in connection with the sale of some commodity; and if the plaintiff has an exclusive right to use any particular mark or symbol, it becomes his property for the purposes of such application, and the act of the Defendant is a violation of such right of property, corresponding with the piracy of copyright or the infringement of a patent. I cannot therefore assent to the dictum that there is no property in a trade mark.

It is correct to say that there is no exclusive ownership of the symbols which constitute a trademark, apart from the use or application of them; but the word "trade mark" is the designation of marks or symbols when applied to a vendable commodity, and the exclusive right to make such user or application is rightly called property. The true principle therefore seems to be that the jurisdiction of the Court in the protection given to trade marks vests upon property, and that the Court interferes by injunction, because that is the only mode by which such property can be effectually protected.

The same things are necessary to constitute a title to relief in equity in the case of the infringement of the right to a trade mark as in the case of the violation of any other right of property. The true principle therefore would seem to be, that the jurisdiction of the Court in the protection given to trade marks rests upon the property, and that the Court interferes by injunction, because that is the only mode by which property of this description can be effectually protected.

The exclusive right of property is obtained as follows in the words of **Bacon, VC**:

That principle may be stated thus: a manufacturer who produces an article of merchandise which he announces as one of public utility, and who places upon it a mark by which it is distinguished from all other articles of a similar kind, with the intention that it may be known to be of his manufacture, becomes the exclusive owner of that which is henceforth called his trade mark. By the law of this country, and the like law prevails in other civilised countries, he obtains a property in the mark which he so affixes to his goods. The property thus acquired by the manufacturer, like all other property, is under the protection of the law, and for the invasion of right of the owner of such property the

*law affords a remedy similar in all respect to that by which the possession and enjoyment of all property is secured to the owners.*³¹

Essentially, therefore, the foregoing *dicta* show that the common law regarding trade mark infringement at the turn of the 19th Century was founded upon fraudulent misrepresentation which afforded an action in deceit.³² It differed from the ordinary action for false representation in that the trade mark action was brought by the claimant of the mark and not the party to whom the false representation had been directed even though the injury was calculated to do damage to both. The fraud need not have been perpetuated at the first sale. It was sufficient that subsequent purchasers might be deceived (the rule in **Sykes v Sykes**).

The essential feature of the trade mark infringement action both at law and at equity was passing off. The difference between law and equity was that in law an injury had actively to be done whilst in equity a threat of injury would suffice. Furthermore, at equity, fraudulent intent was not required (the rule in **Millington v Fox**). Innocent use would become fraudulent use if an innocent defendant continued use of the plaintiff's mark after he had knowledge that the mark was that of the plaintiff. In equity, relief was based upon infringement of an exclusive right of property in the mark which arose through its adoption and use in respect of the manufacturer's goods.

31. In *Ransome v Graham* 51 L.J. Ch. 897, 900.

32. In *Crawshay v Thompson* 4 Man. & G. 357, decided in 1842, it was held that as the common law action for trade mark infringement was an action in deceit the declaration had to allege that the defendant was aware of the matter by which he deceived and that he did it falsely and fraudulently. See *Schechter Historical Foundations* 142-144. See also *Addley Bourne v Swan and Edgar* Ld [1902] R.P.C. 105 at pp 119-120 for a brief survey of leading cases confirming deceit was not relevant to relief in equity and the remarks of Lord Parker in *Spalding v Gamage* (discussed at p 77-81 *infra*) which distinguished the passing-off and trade mark infringement actions from the tort of deceit.

According to the researches of **McClure**,³³ the earliest common law actions were founded in deceit and a fraudulent intent to deceive the public was required. No property in the mark was acknowledged. Common law courts continued to apply the old intent to defraud rule but later accepted the equitable rule in that proof of an intent to defraud and knowledge of plaintiff's ownership of the trade mark on the defendant's part was not required in order for the plaintiff to obtain relief. Trade mark infringement moved from a passing off requiring actual fraud or misrepresentation to a trespass upon property. The view that a trade mark was property led to a need to define the limits of the property right. The view that a trade mark is in itself property did not, however, prevail in the end.

I have found no clear authority indicating that the common law courts fully accepted the "property right" approach of equity or that this led to a switching of the basis of the trade mark infringement action from deceit to a trespass upon property. Indeed there are indications of the opposite being true.

In **Reddeway v Banham**,³⁴ **Lord Herschell** stated the following:

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33. McClure 312-313; After the Judicature Acts equity prevailed in the sense that fraud ceased to be an essential element of passing off: See *Drysdale and Silverleaf Passing Off* 10. The defendant's knowledge remained material in relation to the nature of relief the Plaintiff could seek.
34. *Reddeway v Banham* [1896] A.C. 199,209-210. Sebastian *Trade Marks* 168 states: "The view taken by Lord Westbury of the existence of property in a trade mark, independently of statute, has, however, not escaped criticism in later years, and the prevailing opinion in recent times is probably in accordance with that expressed by Lord Herschell in the leading case of *Reddeway v Banham*". The words of Lord Kingsdown in *Leather Cloth Co. v American Leather Cloth Co.* 11 H.L.C. 538 to which Lord Herschell refers in the quoted passage were: "The fundamental rule is that one man has no right to put off his goods for sale as the goods of a rival trader, and he cannot, therefore (in the language of Lord Langdale in the case of *Perry v Truefitt*) be allowed to use names, marks, letters, or other indicia, by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person". See also *Perry v Truefitt* 6 Beav. 66. The term "passing off" was first coined in this case: *Drysdale and Silverleaf Passing Off* 6

The word 'property' has been sometimes applied to what has been termed a trade mark at Common Law. I doubt myself whether it is accurate to speak of there being property in such a trade mark, though, no doubt some of the rights which are incident to property may attach to it. Where the trade mark is a word or device never in use before, and meaningless, except as indicating by whom the goods in connection with which it is used were made, there could be no conceivable legitimate use of it by another person. His only object in employing it in connection with goods of his manufacture must be to deceive. In circumstances such as these the mere proof that the trade mark of one manufacturer had been thus appropriated by another, would be enough to bring the case within the rule as laid down by Lord Kingsdown, and to entitle the person aggrieved to an injunction to restrain its use. In the case of a trade mark thus identified with a particular manufactory, the rights of the person whose trade mark it was would not, it may be, differ substantially from those which would exist if it were, strictly speaking, his property. But there are other cases which equally come within the rule that a man may not pass off his goods as those of his rival which are not of this simple character - cases where the mere use of the particular mark or device which had been employed by another manufacturer would not of itself necessarily indicate that the person who employed it was thereby inducing purchasers to believe that the goods he was selling were the goods of another manufacturer.

The name of the person, or words forming part of the common stock of language, may become so far associated with the goods of a particular maker that it is capable of proof that the use of them by themselves without explanation or qualification by another manufacturer would deceive a purchaser into the belief that he was getting the goods of A when he was really getting the goods of B. In a case of this description the mere proof by the plaintiff that the defendant was using a name, word, or device which he had adopted to distinguish his goods would not entitle him to any relief. He could only obtain it by proving further that the defendant was using it under such circumstances or in such manner as to put off his goods as the goods of the plaintiff. If he could succeed in proving this I think he would, on well-established principles, be entitled to an injunction.

I have quoted **Lord Herschell** at length because his words are relevant not only to the then and still topical

debate upon the question as to whether there is property in a trade mark but also as to the nature of the matter which can function in a trade mark sense, which will be considered later.

Sebastian took a pragmatic view stating that the principle upon which the equity courts acted was really immaterial since the essential point was completely established both at law and in equity: in cases of trade marks nothing had to be done other than to show that the mark had been taken. In any event, plaintiffs were more concerned about obtaining redress than about the basis upon which redress would be granted.³⁵

Nevertheless, the property-based view of Chancery cannot merely be brushed aside for it underpins the first and all subsequent British trade mark legislation.

Even prior to the Judicature Acts a steadily increasing number of trade mark cases were coming before Chancery because the remedy of injunction and account had a more beneficial character than the common law remedy of damages. It appears that eventually the Court of Chancery absorbed jurisdiction in all trade mark cases except where cases were remitted by a Chancery judge for trial at common law.³⁶

According to **Schechter**, with the merger of common law and equity also in the United States of America, coupled with the fact that there, also, injunctive relief was found to be more effective than damages, trade mark infringement fell more and more within the scope of equity and the principles governing relief in such cases accordingly followed those of equity rather than of law.³⁷

35. *Sebastian Trade Marks* 170.

36. *Sebastian Trade Marks* 163.

37. *Schechter Historical Foundations* 145.

5. EARLY TRADE MARK LAW IN THE U.S.A.

Trade mark law in the U.S.A. will be considered in a later chapter. It is, however, appropriate to make some reference to early trade mark law in the U.S.A. in order to reveal and compare its early trends with those of English law.³⁸

There appears to have been a certain amount of litigation involving trade marks in State courts in the early 19th Century. The first reported case of trade mark infringement came before a state court in 1837,³⁹ but it was not until 1844 that the first case was reported in the Federal courts.⁴⁰ It appears that up to 1870 only sixty-two trade mark cases were decided by American courts.⁴¹

In the first reported American case **Thompson v Winchester**, the court granted the plaintiff relief on the basis of the "imposition, falsehood and fraud" by the defendant who had passed off his medicines as those of the plaintiff.

According to **McClure**,⁴² trade mark law in America developed in parallel fashion to that of English Law in that it derived from a tort of fraud and deceit, called "passing off", and for which proof of fraud was essential.

Schechter⁴³ is not of the same strict view. According to him, the courts in the United States did not, in trade mark infringement cases, proceed on English common law deceit theory.

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- 38. A most informative treatment of early U.S.A. cases and doctrines is to be found in Pattishall 68 TMR 121-145 (1978) 123-131.
 - 39. *Thompson v Winchester* Sup. Ct. Mass. 1837, 19 Pick. 214.
 - 40. *Taylor v Carpenter* U.S. Cir. Ct., Dist. of Mass. 3 Story 458.
 - 41. *Schechter Historical Foundations* 133-134.
 - 42. *McClure* 314.
 - 43. *Schechter Historical Foundations* 143-144.

Protection was granted rather upon substantially the same equitable grounds in the nature of a passing off as were indicated by Lord Langdale, MR, in **Perry v Truefitt**,⁴⁴ namely, that the courts would grant relief against the party who through the marking of goods induced the purchasers to believe that the goods he was selling were those of another. This was because no person had the right to use marks for the purpose of deception and in order to attract custom which would otherwise have gone to the usual user of the mark.

In a landmark case of the time, decided in 1849, **Amoskeag Mfg. Co. v Spear**,⁴⁵ the court regarded the taking of a trade mark as a deception which invaded the right of an owner to the trade mark in which he had a prior and exclusive title. The false representation of affixing to his own goods an imitation of an original mark was aimed at a dishonest purpose comprising a fraud upon the public and upon the true owner of the trade mark, as the purchaser had imposed upon him an article he never meant to buy whilst the owner was robbed of the fruits of his reputation which he had acquired through skill, enterprise and successful labour. This constituted a fraud coupled with damage and the court would act to suppress this fraud by an injunction to prevent a mischief that might otherwise prove irreparable.

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44. **Perry v Truefitt** (1842) 6 Beav. 66,73, where Lord Lonsdale said: "A man is not to sell his own goods under the pretence that they are goods of another man; he cannot be permitted to practice such deception, nor to use the means which contribute to that end. He cannot, therefore, be allowed to use names, marks, letters, or other *indicia* by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person I have no doubt that another person has not a right to use that name or mark for the purpose of deception, and in order to attract to himself that course of trade, or that custom, which, without the proper act, would have flowed to the person which first used, or alone was in the habit of using the trade name or mark".
45. **Amoskeag Mfg. Co. v Spear** 2 Sandf. SC 599, 605, (N.Y.) Super. See particularly the words of Duer J at 605-606 (also quoted in Schechter 144-145); See also Pattishall 124-125.

It appears from the foregoing that relief was granted in early US trade mark cases upon a commixture of grounds available at law and in equity in England at the corresponding time. According to **McClure**, fraud was a prerequisite and relief was granted upon considerations of protecting the public from fraud and deception coupled with considerations of honesty and fair dealing in that no person had the right to hold his goods out to be the goods of another. He regards the promotion of honesty and fair dealing as the dominant rationale for relief in the early American trade mark cases.⁴⁶

Trade mark law in the U.S.A. was slow to develop. **Pattishall** writes:⁴⁷

It could be said for most of our first century there was no such thing in the United States as trademark law in the sense we understand the term today. Walter J Derenberg points out in his treatise "Trade-Mark Protection and Unfair Trading" that even as late as 1860 the term 'trademark' really denoted only the name of the manufacturer. Even though an article may have become well-known under an arbitrary mark, if that mark did not directly denote the article's source, another was free to use it.

Indeed, whether or not a mark provided an exclusive right to its use turned upon the degree to which it could identify the manufacturer - perform 'the office of the name and address of the manufacturer'.⁴⁸ Here one finds the U.S. source of the deep-rooted 'origin function' of trade marks to which I shall return later.

By the time the United States Congress had enacted the first Trade Marks Act which provided for Federal registration of trade marks and their protection in interstate commerce in 1905, the common law of trade marks had developed two actions: the trade mark

46. McClure 314.

47. Pattishall 128.

48. Pattishall 128 footnote 35.

infringement action which protected 'technical trade marks' and unfair competition which protected 'trade names'.

I shall revert to these developments during the course of the chapter which follows as they are more conveniently dealt with against the background of the 1905 Act.

6. *IN SUM*

Although trade marks only achieved national significance in England during the second part of the 19th Century, the case of **Southern v How**, first reported in 1656, led to the principle being established that the common law afforded redress against trade mark piracy.

The cases of **Sykes v Sykes** and **Blofield v Payne**, decided in 1824 and 1833, respectively, settled the common law regarding trade marks. It was established that a plaintiff would have an action at common law if he could prove his use of and reputation in a mark designating goods of his manufacture and sale of goods by the defendant - featuring a mark imitating the plaintiff's mark - as and for the goods of the plaintiff with the intention to defraud. The action was based upon false representation. It differed from the ordinary action for false representation in that the latter action was ordinarily brought by the person to whom the false representation was made whilst in the trade mark action, the injury was directed at the party whose mark was imitated. It did not matter that a first purchaser would not be deceived or that the fraudulent goods were not inferior to those of the plaintiff.

Essentially, both the common law and equity regarded trade mark infringement as a particular species of passing off and proof of the taking of a trade mark afforded relief in both systems.

Millington v Fox, decided in 1838, settled that equity would restrain trade mark infringement by way of

injunction even in circumstances where no fraudulent intent was present and the infringement was innocent. This case laid the foundation upon which equitable relief would be granted in trade mark cases henceforth: the infringement was of a right of property in the trade mark, even though the nature of this right never obtained clear definition. The theory of property in trade marks never gained common law acceptance.

In the U.S.A., the applicable principles did not precipitate and settle in as clear a form as did the law in England and relief was granted upon a commixture of the legal and equitable principles available in cases of trade mark infringement in England at the corresponding time.

CHAPTER 3

THE FIRST ACTS IN BRITAIN AND THE UNITED STATES

This chapter considers early trade mark legislation in England and the United States and the background thereto.

1. *THE BACKGROUND TO EARLY TRADE MARK LEGISLATION IN ENGLAND*

At the time trade mark related legislation was first passed in England during the late 19th Century, conduct of every kind directed at the passing off of the goods of one trader as those of another - whatever the nature of the imitation involved - provided cause for relief both at law and in equity.

It is to be noted that the cases of passing off involving imitation of trade marks were not only more numerous but were regarded as more important and came to be seen as a more specialised and distinct form of action than the general action for passing off. This specialised action was known as the action for infringement.¹

The infringement action was, however, expensive, time consuming and the defendants were often indigent. An essential feature of the action was the need to prove the plaintiff's title to the mark. The plaintiff was required to adduce evidence of its use and the evidence had to establish plaintiff's reputation in the mark. A substantial quantum of evidence was required and this brought about large expense. Success against one infringer did not relieve the plaintiff from proving his title anew against every subsequent infringer who decided to put it to the test. Furthermore, trade mark

1. Lloyd and Bray *Kerly* 7th ed. 5.

infringement was not within easy reach of criminal sanction as a possible alternative or additional means of relief. The foregoing considerations coupled with what was then regarded as the unsatisfactory state of the law concerning the marking of goods in general, led to a demand by concerned traders for more effective legal protection for marks.²

Cornish³ observes that by the 1850's, there was substantial public agitation about the extent to which food, clothes, drugs and other commodities were sold in an adulterated state. At the same time, traders were complaining assertively of the damage suffered by them through adulteration practices, losses through cheap imports not being properly identified, and losses through the imitation of brands, marks and names.

In 1862, a Parliamentary Select Committee reported negatively upon legislation then before Parliament which proposed a system of trade mark registration. The Select Committee saw the Criminal Law as the principal machinery for addressing the problems which had brought about the clamour of complaint. Consequently, a Bill with a criminal sanction approach to protecting marks found favour and led to the Merchandise Marks Act, 1862.⁴

According to **Cornish**, liberal opposition to a new property right led to the choice of the Criminal Law

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2. Lloyd and Bray *Kerly* 7th ed. 5-6. Regarding the passing off action, Cornish *Intellectual Property* 394 states: "The passing-off action, though useful, depended on proving in each case that the plaintiff had a trade reputation with the public. That could sometimes be costly and laborious. If there were a register, the issue could be reduced to the question: Was the defendant imitating the mark in a manner liable to deceive?"
 3. Cornish *Intellectual Property* 394. With no register, potential users of conflicting marks had no easy practical way of determining pre-existing rights or claims: See GE Trade Mark [1973] R.P.C. 297,327.
 4. Lloyd and Bray *Kerly* 7th ed. 6.

machinery of the Merchandise Marks Act, 1862.⁵ It was reasoned that if a new property right in a trade mark were to be introduced through legislation this would lead to monopolies because a first registrant would thereby be able to appropriate ways of marking his goods which would exclude and consequently prejudice later competitors. Hence the refusal in 1862 of the first attempt to obtain trade mark registration in England.⁶

Although trade mark legislation eventually resulted also from the diverse causes already mentioned, considerations of international trade turned out to be the final reason for the passage, in 1875, of a trade marks registration Act. It was asserted at the time that counterfeiters were passing off their goods as English goods in various parts of the world. Foreign imitations of British marks could be prevented by establishing a British register which would afford foreigners protection in England in return for the grant of reciprocal protection to the British. This reciprocity was attained through the provisions of the Paris Convention on Industrial Property of 1883.⁷

2. *THE FIRST MERCHANDISE MARKS ACTS*⁸

At the time of the passage of the early Acts, the criminal law insofar as it related to trade marks was this: the imitation of a trade mark or of trade dress was not regarded a forgery, but an indictment for obtaining money under false pretences, could, however, be sought in respect thereof.⁹

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- 5. Cornish *Intellectual Property* 394-395. The Act, he states, never achieved popularity amongst competitors as a means of protection.
 - 6. McClure 313.
 - 7. Cornish *Intellectual Property* 394, 398. Schechter *Historical Foundations* 140.
 - 8. Merchandise Marks Act, 1862 (25 & 26 Vict. c.88) and the Merchandise Marks Act, 1887 (50 & 51 Vict. c.28).
 - 9. See Sebastian *Trade Marks* 146.

The Merchandise Marks Act, 1862, rendered the forgery of a trade mark a misdemeanour as did the Merchandise Marks Act, 1887.¹⁰

A conviction under section 2 of the latter Act (which set out the offences under the Act including forgery of a trade mark), did not relieve the defendant from civil liability for his acts.¹¹

Forgery of a trade mark was defined in section 4 and included fraudulent imitation and falsification of marks.

The 1862 and 1887 Acts contribute nothing of substance to an enquiry regarding the nature of trade mark rights but require mention because of their historical position in regard to legislation, involving trade marks. Essentially, the Merchandise Marks Acts were aimed at imposing a sanction upon the false marking of goods rather than protection of the rights of the trade mark owner.¹²

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10. See Sebastian *Trade Marks* 147.
 11. Section 9 of the Act; Sebastian *Trade Marks* 150.
 12. Cornish *Intellectual Property* 394-395. He states: "The Merchandise Marks Act 1862, which included 'forging a trade mark' prominently amongst its prohibition on the false marking of goods, was solely a criminal statute, and deliberately so. A pattern of considerable moment was thus established: the criminal law was to provide the general machinery against misdescription of wares. The normal principle that any citizen might prosecute was to apply - indeed, in the 1862 Act it was encouraged by the old device of sharing the penalty between the prosecutor and Crown. But competitors were not to have the weaponry of civil suits to deal with a wide range of misleading trade descriptions. The Merchandise Marks legislation grew in completeness with a revised statute of 1887. This was to continue in force (with amendments) until the Trade Descriptions Act of 1968. But its actual enforcement was to remain extremely patchy. For unlike the neighbouring legislation on food and drugs and weights and measures, local authorities were not placed under any duty to provide inspectors and others who would see to observance. And in practice competitors showed little interest in putting their resources to the task."; the Trade Descriptions Act of 1968 does not give a right of civil action for breach of a statutory duty to a trader whose mark is falsely appropriated and is not regarded as a measure intended to prevent unfair competition. It is aimed at the protection of consumers and its provisions need not receive specific attention for they are not relevant for the purposes of this work: See Drysdale and Silverleaf *Passing Off* 5.

3. THE TRADE MARKS REGISTRATION ACT, 1875 ¹³

This Act was contemporaneous with the Judicature Acts, 1873 - 1875.¹⁴ The equity view was the prevailing one at this time, namely, that property in a trade mark existed from the moment when it was first used on vendible goods in the market. A trader acquired a right of property in a distinctive mark merely by using it upon or in connection with the goods irrespective of the length of such user and the extent of his trade. Although it was not a firmly established proposition of law at the time, it followed from the prevalent view that trade mark infringement was an infringement of a right of property in the mark.¹⁵ This idea underpinned the 1875 Act.

The Act had the following objectives: to reduce the difficulty and the cost of proving title by removing the necessity of proof of use and reputation in trade mark infringement actions, to secure the publication of marks appropriated as trade marks, to define the rights of registrants for the information of traders and to define the classes of marks which could be registered.¹⁶

Whereas the proposed Act of 1862 made no provision for a Register, section 1 of the Act of 1875 established a register of trade marks and to ensure registration, provided that after 1 July 1896, no action for the infringement of a trade mark (as defined in the Act), would lie unless the mark was registered under the Act.

The registration of a person as the first proprietor of a trade mark was, in terms of section 3 of the Act, *prima facie* evidence of his right to the exclusive use of the trade mark. Registration became conclusive evidence

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- 13. 38 & 39 Vict. c.91(a). A useful short discussion of the Act is to be found in Lloyd and Bray *Kerly* 7th ed. 6-7.
 - 14. See footnote 18 p 25 *supra*.
 - 15. Lloyd and Bray *Kerly* 7th ed. 388-389.
 - 16. Lloyd and Bray *Kerly* 7th ed. 5.

of this right after five years provided the mark remained on the Register and it had not, contrary to section 2 of the Act, been assigned or transmitted otherwise than in connection with the goodwill of the business concerned in the goods or classes of goods in respect of which it had been registered. In other words, the owner of the registration had also to be the owner of the goodwill of the business in the mark. Registration of a trade mark was deemed, in terms of section 2 of the Act, to be equivalent to public use of the mark.

Concepts extant in current British and South African Trade Mark legislation despite a change in terminology in many instances, find an archetypal echo in this Act, such as: registration in respect of particular goods or classes of goods and assignment and transmission with goodwill (section 2); 'proprietor' and the right to exclusive use (section 3); 'persons aggrieved' and rectification of the Register (section 4); resembling trade marks 'calculated to deceive' and identical trade marks not to be registered side by side as a general rule in respect of the same goods or classes of goods, (section 6); marks which would be denied protection in a court of equity or scandalous designs were not to be registered (section 6); administrative rules for the administration of the Act and registry were provided for (section 7).

The Act, in section 4, recognised that successors in title to trade marks stand in the same position as if their title were a continuation of the title of the first registered proprietor.

The court was empowered by section 5 of the Act to rectify the Register at the instance of a person aggrieved in circumstances where the Registrar had entered the wrong proprietor or refused to enter the rightful proprietor upon the Register, to remove wrongly registered marks from the Register, to decide between rival claimants to a trade mark and, generally, to deal with any aspect of the Register requiring rectification.

In terms of section 6, identical trade marks could only be registered in respect of the same goods or classes of goods by the leave of the court, and the Registrar was enjoined to refuse registration of a trade mark which so nearly resembled a trade mark already on the Register as to be calculated to deceive. In terms of the same section, scandalous designs were to be refused registration, as was other matter which would not be afforded protection by a court of equity.

Section 7 dealt with the establishment of the registry and general rules applicable thereto whilst section 8 dealt with the evidential weight of certificates issued by the Registrar. Section 9 dealt especially with Cutlers' Company and Sheffield corporate marks whilst section 11 was the short title section.

For the purposes of this thesis the definitions section, section 10 and, particularly, the definition of the essential elements which would render a mark a registrable trade mark, is the most relevant part of the Act.

For a mark to qualify for registration it had, under section 10, to comprise or feature at least one of the following essential particulars, namely:

- (a) a name of an individual or firm (printed, impressed or woven in some particular and distinctive manner);
- (b) the written signature of an individual or firm or a copy thereof;
- (c) a distinctive device, mark, heading, label, or ticket;
- (d) any special and distinctive word or words or combination of figures or letters which had been used as a trade mark prior to the passing of the Act.

The concept of distinctiveness taken up in section 10 has remained a corner-stone of trade mark law ever since, as will be clearly apparent throughout this work.

McClure expresses the view that the judicial doctrine that a trade mark could achieve the status of a property right if it acquired distinctiveness through use was accepted in the Act and, henceforth, by its successors. Judicial perceptions of trade marks as property and the need to find the limits of this property right led to the first Acts providing for the registration of distinctive marks in England. The distinctiveness requirement had given rise to two classes of action in England: the trade mark infringement action and the action under the tort of passing off.¹⁷

In considering subsequent Acts, therefore, their treatment of the 'distinctiveness' requirement of trade mark law will be afforded close attention. The requirement will be discussed specifically later on in paragraph 5 of this chapter.

Essentially, from 1875 to 1877, the mode of acquiring a trade mark was regulated by the Trade Marks Registration Acts, 1875 - 1877.¹⁸

17. McClure 313-314.

18. These were the 1875 Act, the Trade Marks Registration Amendment Act, 1876 (39 & 40 Vict. c.33) and the Trade Marks Registration Extension Act, 1877 (40 & 41 Vict. c.37). Section 2 of the 1876 Act provided: "When an application by any person to register as a trade mark a device, mark, name, word, combination of words, or other matter or thing proposed for registration as a trade mark, which has been in use as a trade mark before the passing of the recited Act, has been refused, it shall be the duty of the registrar, on request, and on payment of the prescribed fee, to give to the applicant a certificate of such refusal, and a certificate so granted shall be conclusive evidence of such refusal". Section 1 of the Act extended the date after which no person could institute a trade mark infringement action without having the mark registered to 1 July 1877, subject to section 2. The 1877 Act merely extended the time for registration of trade marks used in the textile industries.

A trade mark was required to meet the requirements of section 10 of the Act of 1875 and not to offend section 6 if it were to be registered.

The mark had to be registered if it were to afford an infringement action, unless it had been used before the Act commenced, refused registration, and a certificate of refusal to register it had been issued by the Registrar.

Thus, unsuccessful applicants retained such rights as they already had before the Act, for if there had been some user of the mark in respect of the goods to which its user had adopted and applied it, he would, according to the law of that time, have had an infringement action in respect of its appropriation by another.¹⁹

The Trade Marks Acts, 1875 - 1877, were repealed and replaced by the Patents, Designs and Trade Marks Acts, 1883 - 1888. The later Acts provided a wider and more comprehensive definition of the registrability requirements. For the rest, much remained the same: marks were to be registered in respect of particular goods or classes of goods, marks used before 1875 were only protected in respect of goods in relation to which they had been habitually used, trade marks were assignable and transmissible but only in connection with the business in the goods or classes of goods to which the mark related.²⁰

4. *THE PATENTS, DESIGNS AND TRADE MARKS ACTS, 1883 - 1888*

The Patents, Designs and Trade Marks Act, 1883²¹ came into force on 1 January 1884.

19. See Sebastian *Trade Marks* 7-8.

20. Sebastian *Trade Marks* 9-10; The question of detaching a mark from the goodwill in the business in the goods in connection with which the trade mark has obtained a reputation is a pressing question in modern trade mark law which receives full attention later in this work (see p 177-181, 279-299 and 531-539 *infra*).

21. 46 & 47 Vict. c.57.

The new Act, following the 1875 Act, required a trade mark to be distinctive before it would qualify for registration. To be registrable, a mark had to consist of or contain at least one of the enacted list of essential particulars provided for in section 64.

Because of its importance, section 64 of the 1883 Act is set out in full in the text hereunder. The text of section 64 as amended by the 1888 Act²² is set out immediately thereafter. The reader is requested to bear this in mind when, in the discussions which follow, reference is made to the provisions of the section and to amendments thereto:

64. (1) *For the purposes of this Act, a trade mark must consist of or contain at least one of the following essential particulars:*

(a) *A name of an individual or firm printed, impressed, or woven in some particular and distinctive manner; or*

(b) *A written signature or copy of a written signature of the individual or firm applying for registration thereof as a trade mark; or*

(c) *A distinctive device, mark, brand, heading, label, ticket, or fancy word or words not in common use.*

(2) *There may be added to any one or more of these particulars any letters, words or figures, or combination of letters, words or figures, or any of them.*

(3) *Provided that any special and distinctive word or words, letter, figure, or combination of letters or figures or of letters and figures used as a trade mark before the thirteenth day of August, one thousand eight hundred and seventy five, may be registered as a trade mark under this part of this Act.*

Turning, as indicated, to the 1888 Act:

64. (1) *For the purposes of this Act, a trade mark must consist of or contain at least one of the following essential particulars:*

- (a) *A name of an individual or firm printed, impressed, or woven in some particular and distinctive manner; or*
- (b) *A written signature or copy of a written signature of the individual or firm applying for registration thereof as a trade mark; or*
- (c) *A distinctive device, mark, brand, heading, label, or ticket; or*
- (d) *An invented word or invented words; or*
- (e) *A word or words having no reference to the character or quality of the goods and not being a geographical name.*

(2) *There may be added to any one or more of the essential particulars mentioned in this section any letters, words, or figures, or combination of letters, words, or figures, or of any of them; but the applicant for registration of any such additional matter must state in his application the essential particulars of the trade mark, and must disclaim in his application any right to the exclusive use of the added matter, and a copy of the statement and disclaimer shall be entered on the Register.*

(3) *Provided as follows:*

- (i) *A person need not under this section disclaim his own name or the foreign equivalent thereof, or his place of business; but no entry of any such name shall affect the right of any owner of the same name to use that name or the foreign equivalent thereof;*

- (ii) *Any special and distinctive word or words, letter, figure, or combination of letters or figures, or of letters and figures, used as a trade mark before the thirteenth day of August, one thousand eight hundred and seventy-five, may be registered as a trade mark under this part of this Act.*

The underlining which I have introduced in the first part indicates the additions to the requirements in section 10 of the 1875 Act introduced by the 1883 Act, whilst the underlining in the second part reflects the amendments introduced by the 1888 Act, insofar as the amendments relate to the essential particulars for registrable trade marks. It will be noted that section 64(2) introduced disclaimers for the first time.

5. *DISTINCTIVENESS*

Under the 1875, 1883 and 1888 Acts, distinctiveness meant that the mark was required to have, at the date of its registration, the capacity to distinguish the goods of the person registering the mark from goods of the same class emanating elsewhere.²³ The manner of distinguishing had not, however, to be by means of the mark describing a particular quality of goods which differed from the qualities of other goods of the class.²⁴

23. "Now it appears to me that to satisfy the requirements of the definition the word or words must be distinctive in this sense, that they distinguish the manufacture of the person who has registered the trade mark from the manufacture of all other persons. I say 'manufacture' but of course there may be cases in which they distinguish, not the manufacture, but the selection, or some other operation, upon the goods. But in all cases the word or words must distinguish the product of the person claiming the trade mark from the product of all other persons, and it appears to me that it must have that distinctive character at the time of registration." Per Fry, LJ. in *Wood v Lambert* 32 Ch.D. 247,262. See also *Sebastian Trade Marks* 40, 332.

24. *Sebastian Trade Marks* 47.

It is to be noted that although not every category of the essential particulars for registrability mentioned in each of the Acts specifically includes the word 'distinctive' the distinctiveness requirement is, however, implied also in each instance where it is not specifically stated.

Insofar as the written signature of an individual or firm is one of a kind it is distinctive, *per se*. So too fancy words, invented words and words not being geographical and which have no reference to the character or quality of the goods, for they were expected to have the inherent capacity to distinguish the goods of the applicant in a particular class from those of another in the same class.

6. *FANCY WORDS*

As will have been noted from paragraph 4, although the 1883 Act repealed the 1875 Act together with its amending acts of 1876 and 1877, it re-enacted its provisions regarding the requirements for registrable marks except for introducing 'a fancy word or fancy words, not in common use' as an additional category of registrable marks.²⁵

This came about as follows: the 1875 Act did not allow words to be registered as trade marks unless they were old marks or were combined with one or more of the stated essential requirements. Yet, word marks were popular and were registrable abroad. Consequently, they were subsequently admitted to registration also in Britain by virtue of section 64(1)(c) of the 1883 Act under the umbrella, 'fancy words'.²⁶

In defining fancy words the courts adopted a strict approach. Fancy words were words which could have no reference to the goods in respect of which registration

25. Lloyd & Bray *Kerly* 7th ed. 7.

26. Lloyd & Bray *Kerly* 7th ed. 8.

was sought, were in no way descriptive of the goods and were in no way to designate any characteristic of the goods or the place of their manufacture. The word was to have no meaning at all, or, if it had a meaning, this had to be wholly non-descriptive when used as a trade mark. The word or words had, essentially, to be meaningless when applied to the article in question. Put another way, fancy words had to be obviously and notoriously neither descriptive nor suggestive of the goods and there was to be no hint or allusion as to the nature or character of the goods. A fancy word was to have an innate and inherent character of fancifulness, that is to say, it had to be fanciful, *per se*, without evidence.²⁷ For a word to qualify as a 'fancy word' it had to speak for itself and be a fancy word on its own inherent strength.²⁸

As **Sebastian** points out, the new phrase was so restrictively interpreted that in all but five cases decided under the Act, the marks concerned were denied registration as not being fanciful. Two marks, BOVRIL and MAZAWATTEE which are still known today, were amongst the few marks found to be fanciful and allowed registration.²⁹

As far as the category "words not in common use" are concerned, they were interpreted to mean either common use by persons in respect of the trade in which the 'fancy' word was to be applied as a trade mark or even more restrictively, namely, that if the word or words were in common use generally this was 'common use' thereof as contemplated by the Act.³⁰

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- 27. *Sebastian Trade Marks* 39.
 - 28. See *Lloyd & Bray Kerly* 7th ed 8 and *Van Duzer's and Leaf's Tm'* (1887), R.P.C. 31.
 - 29. See *Sebastian Trade Marks* 39.
 - 30. *Sebastian Trade Marks* 41.

7. *INVENTED WORDS*

In 1887, the Board of Trade appointed a committee, chaired by Lord Herschell,³¹ to enquire into the operation of the Patent Office under the legislation then current. The Report, however, both at the interim stage (1887) and final stage (1888), went beyond matters relating solely to the workings of the Patent Office and dealt also with general questions of trade mark registration.³²

This report led to the enactment of the Patents, Designs and Trade Marks Act, 1888, which commenced on 1 January 1889. Following the suggestions of the report that the difficulties which had arisen in judicial endeavours to construe the 'fancy word' clause of the preceding Acts should be removed, the Act of 1888 introduced sub-sections 64(1)(d) and (e). So were added two further categories to the list of essential particulars required of registrable marks. The new categories were "an invented word or invented words" and "a word or words having no reference to the character or quality of the goods, and not being a geographical name".³³

Before discussing the two new categories mentioned, it must be noted that pursuant to the Herschell Report, the Act of 1888 introduced the concept of specific disclaimer of all elements in a mark which did not fall within the categories defined in section 64(1), sub-sections (a) to (e) (the categories of registrable marks).³⁴

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31. THE REPORT, dated 16th March, 1888, of the DEPARTMENTAL COMMITTEE appointed by the Board of Trade on 24th February, 1887, "to enquire into the duties, organisation and arrangement of the Patent Office, under the Patents, Designs and Trade Marks Act, 1883 (46 & 47 Vict. c.57) so far as it relates to trade marks and designs."
32. Lloyd & Bray *Kerly* 7 ed. 8.
33. See p 50 *supra*.
34. See s 64(2) p 49, 50 *supra*.

It must also be noted that the Herschell Report indicated that where it was doubtful whether a mark should be accepted or not, it should be rejected. This led to the introduction of the concept of the Registrar's discretion which in practice rendered the choice of new marks or registration of existing marks "often a matter of considerable uncertainty and trouble".³⁵

The introduction of the category of "invented words" was not immediately successful for the courts remained hidebound to the earlier and limiting decisions relating to the concept of 'fancy words' introduced by the earlier enactment. Thus, for some years the courts showed a disposition to construe the new term 'invented word' in the light of the decisions upon 'fancy words'. It was held that the term 'invented word' was subject to the qualification expressly imposed by the legislature in sub-section (e) in the case of known words, namely, that an invented word should have no reference to the character or quality of the goods. Indeed, the courts went to great lengths in pursuit of some covert reference to character or quality in words which, to the ordinary purchaser, would convey no meaning.³⁶

In sum, the strict approach followed by the courts was based upon the following:

- (a) it was held that in order to qualify for registration, a mark had to satisfy both clauses (d) and (e) of section 64(1) of the Act, simultaneously; and
- (b) it was held that even a remote suggestion of some real or assumed characteristic of the goods would render the invented word non-registrable.³⁷

35. See Lloyd & Bray *Kerly* 7th ed. 9.

36. See Sebastian *Trade Marks* 333.

37. Lloyd & Bray *Kerly* 7th ed. 9.

Eventually, the House of Lords placed the intended interpretation upon the innovations to section 64 under the 1888 Act, holding in the **Solio** case,³⁸ that clauses (d) and (e) of the new section 64(1) were alternative and independent. Thus:

- (i) a truly coined word, whether or not it had some reference to or contained some suggestion of the goods, was still registrable;
- (ii) an existing word which had no reference to the goods could be an essential particular of a trade mark provided it was not objectionable for some other reason;³⁹
- (iii) the term, 'invented words', was to be construed without reference to decisions relating to 'fancy words' under the earlier enactment or with reference to any other part of the new Act; the only question to be determined was whether or not the word sought to be registered was an invented word. Such an invented word would be registrable because it would not deprive any member of the community of his right to use the existing vocabulary as he wished. There had, however, to be invention and not the appearance of invention, only.⁴⁰

The **Solio** case enhanced the usefulness of the Register by enlarging the area from which new marks might be chosen and by admitting a large number of existing marks to the Register. The courts, however, still maintained a strict approach and did not easily conclude that a word was 'invented', despite the House of Lords' decision.⁴¹

38. Eastman Photographic Co.'s Appn. [1898] A.C. 571, R.P.C. 707.

39. See Lloyd & Bray *Kerly* 7th ed. 9 and Sebastian *Trade Marks* 41-42.

40. Sebastian *Trade Marks* 333-334.

41. Lloyd & Bray *Kerly* 7th ed. 9.

As far as geographical names were concerned, a word would not be a geographical name merely because some place on the earth's surface has been called by it. To fall within the meaning of that term in the Act, a word would be regarded a geographical name - (a) if in its primary and obvious meaning it had reference to locality; (b) it had become recognised in the country as a geographical word, and (c) there existed a connection between the locality to which the word referred and the goods in question.⁴²

8. OLD MARKS

Marks which fell within one or more of the categories specifically mentioned in the Acts were registrable whether they had been used prior to 13 August 1875, or not.

However, many valuable trade marks had been adopted and used before precise definition of the requirements for registrability had been formulated under the Acts. Numerous of these old trade marks did not fall within one of the categories formulated by the enactments and would, therefore, have been deprived of the benefits of the legislation without some special provision being enacted therein for their protection. Hence, the enactment of section 64(3) in the Act of 1883 and section 64(3)(ii) in the Act of 1888.⁴³

Not any old mark could, however, qualify for registration despite use prior to 13 August 1875. Such old marks had to be special and distinctive and used as a trade mark to qualify for registration.

The abovementioned sub-sections, therefore, introduced a further category of distinctive marks registrable under the Act in question.

42. See Sebastian *Trade Marks* 43-44, 334.

43. See p 49, 50-51 (*supra*) for the text of the sub-sections referred to.

It is interesting to note that the courts were far more lenient regarding the registrability of old marks than they were when deciding issues of registrability with regard to 'fancy words'. This was so much so that **Sebastian** was moved to write:

*In fact, in some of these cases the words have been so far descriptive as to cause a reasonable doubt whether the leniency shown was not excessive.*⁴⁴

The principle, however, was clear - descriptiveness was fatal also to old marks from the point of view of registrability although otherwise than with fancy words, a mere suggestion or suspicion of descriptiveness would not lead to judicial invalidation for registration purposes.⁴⁵

Finally, it is to be noted that old marks had to be registered as a whole and in the exact form in which they had been actually used.⁴⁶

9. *THE 1905 ACT*⁴⁷

This Act repealed almost all the existing statutory civil trade mark law only to re-enact much of it, albeit in improved form. It did, however, introduce many new provisions, as well.

A definition of a trade mark was given for the first time - and defined thus by section 3 of the Act:⁴⁸

44. *Sebastian Trade Marks* 48.

45. *Sebastian Trade Marks* 49. This category of registrable marks are not to be confused with old marks which did not qualify for registration in terms of the registrability requirements of the Acts and in respect of which the Registrar could issue a certificate of refusal to register.

46. See *Sebastian Trade Marks* 335-336.

47. Trade Marks Act, 1905 (5 Edw. 7 c.15).

48. Lloyd & Bray *Kerly* 7th ed. 9. A very wide definition had earlier been given to "Trade Marks" in section 21 of the Merchandise Marks Act, 1862. It was, however, too imprecise to be of value in practice outside of the Act.

A trade mark shall mean a mark used or proposed to be used upon or in connection with goods for the purpose of indicating that they are the goods of the proprietor of such trade mark by virtue of manufacture, selection, certification, dealing with, or offering for sale.

To the familiar categories of marks which would have qualified for registration also under the earlier Acts (with slight modification) was added a new category of registrable marks falling under the umbrella of "any other distinctive marks". The categories of distinctive marks provided for in this Act as at the time of its ultimate repeal by the Trade Marks Act, 1938, were the following:⁴⁹

9. *A registrable trade mark must contain or consist of at least one of the following essential particulars:*

- (1) the name of a company, individual or firm represented in a special or particular manner;*
- (2) the signature of the applicant for registration or some predecessor in his business;*
- (3) an invented word or invented words;*
- (4) a word or words having no direct reference to the character or quality of the goods, and not being according to its ordinary signification a geographical name or a surname;*
- (5) any other distinctive mark, but a name, signature, or word or words, other than such as fall within the descriptions in the*

49. The parts of the section repealed by the Trade Marks Act, 1914 (4 & 5 Geo. 5, c.16) and the Trade Marks Act, 1919 (9 & 10 Geo. 5, c.79) are underlined whilst additions have been placed in square brackets.

above paragraphs (1), (2), (3) and (4), shall not, except by order of the Board of Trade or the Court be deemed a distinctive mark [be registrable under the provisions of this paragraph, except upon evidence of its distinctiveness].

Provided always that any special or distinctive word or words, letter, numeral, or combination of letters or numerals used as a trade mark by the applicant or his predecessors in business before the thirteenth day of August one thousand eight hundred and seventy-five, which has continued to be used (either in its original form or with additions or alterations not substantially affecting the identity of the same) down to the date of the application for registration, shall be registrable as a trade mark under this Act.

For the purposes of this section "distinctive" shall mean adapted to distinguish the goods of the proprietor of the trade mark from those of other persons.

In determining whether a trade mark is so adapted, the tribunal may, in the case of a trade mark in actual use, take into consideration the extent to which such user has rendered such trade mark in fact distinctive for the goods with respect to which it is registered or proposed to be registered.

Further innovations introduced by section 9 are worth noting. It will be seen that the "old marks" category now allowed the registration of additions or alterations thereto not substantially affecting their identity. The term "distinctive" is given a definition for the purposes of the section; and for the first time the extent of actual use of the mark could be considered as having rendered it *de facto* distinctive and therefore registrable in the sense that it had become adapted to distinguish as contemplated by the definition aforesaid.⁵⁰

50. As will be indicated in chapter 17, under the new legislation both in the United Kingdom and in South Africa, *de facto* is now also *de iure* distinctiveness.

Marks became vulnerable to removal from the Register for the first time on the basis of the want of a *bona fide* intention to use the mark which was required to be present at the time of the application (provided it had not been subsequently saved by actual *bona fide* use), as well as on the basis of non-use for a continuous period of five years after registration.⁵¹

The Act of 1905 brought an end to trade mark licensing. At that time, section 87 of the 1883 Act acknowledged the right of the proprietor of a trade mark to grant licences for its use (subject to the provisions of that Act and the rights of other proprietors). The Courts, however, with reference to section 22 of the 1905 Act, which authorised assignment of the marks only with the goodwill of the business concerned in the goods for which the mark had been registered, subsequently held that the licensing of a trade mark would render it expungeable because it could obscure whether the mark was connected in trade with

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51. Section 37 was the relevant section and provided: "A registered trade mark may, on the application to the Court of any person aggrieved, be taken off the Register in respect of any of the goods for which it is registered, on the ground that it was registered by the proprietor or a predecessor in title without any *bona fide* intention to use the same in connection with such goods, and there has in fact been no *bona fide* use of the same in connection therewith, or on the ground that there has been no *bona fide* use of such trade mark in connection with such goods during the five years immediately preceding the application, unless in either cases such non-use is shown to be due to special circumstances in the trade, and not to any intention not to use or to abandon such trade mark in respect of such goods."

its registered proprietor or with the licensee.⁵²

10. THE TRADE MARKS ACT, 1919

The Trade Marks Act, 1919, came into force on 1 April 1920. It amended a number of sections of the 1905 Act. The principal change was the introduction of a new part of the Register, Part B, in which a weaker registration could be obtained than was the case in respect of registrations already present in the old part of the Register (Part A) - or which were subsequently obtained in Part A - in that a Part B registration always remained *prima facie* evidence only of the owner's exclusive rights to the trade mark under the Act. In order to qualify for Part B registration, a mark had to have been used *bona fide* as a trade mark for a two-year period prior to the application for its registration as contemplated by the section providing for Part B registrations, section 2.⁵³

52. See Cornish *Intellectual Property* 396. He states with reference to the attitude of the courts in this regard: "They would not consider the registered right as a discreet part of the trader's property which might be dealt with by him without reference to the public's understanding of its meaning." Of the right to licence under section 87 of the 1883 Act, Sebastian *Trade Marks* states at 336: "The power of granting licences must not be exercised so as to deceive the public, eg. so as to authorise the use of the mark on inferior goods. The power of granting licences at all seems, in the case of trade marks, rather to conflict with section 70; the intention of which appears to be that only the person entitled to the goodwill shall have the right of using the trade mark." Subsequent amending Acts, up to and including the 1888 Act, left the absolute right to grant licences, subject to the provisions of that Act, intact. The question whether a trade mark can be regarded as discrete property detached from goodwill is a central topic of this work discussed in chapters 8, 11 and 17.

53. Section 2(1) provided: "Where any mark has for not less than two years been *bona fide* used in the United Kingdom upon or in connection with any goods (whether for sale in the United Kingdom or exportation abroad), for the purpose of indicating that they are the goods of the proprietor of the mark by virtue of manufacture, selection, certification, dealing with or offering for sale, the person claiming to be the proprietor of the mark may apply in writing to the Registrar in the prescribed manner to have the mark entered as his registered trade mark in Part B of the register in respect of such goods".

11. REGISTRATION AND THE INFRINGEMENT ACTION

Under the earlier Acts, registration of the trade mark was deemed to be equivalent to public use of the trade mark.⁵⁴ An equivalent provision did not feature in either of the 1905 and 1919 Acts.

Also, under the earlier Acts, as well as the 1905 Act, a failure to obtain registration or a certificate of refusal to register from the Registrar was fatal to the owner's infringement action which was not available without registration or a Registrar's certificate of refusal.⁵⁵

According to **Cornish** it had not for a time been clear whether registrable, albeit unregistered marks, were protectable only through legislation. Protection was, as we have, however, seen, afforded at both common law and equity in passing off situations where the act of passing off comprised an imitation of a mark that might have been registered. Thus, the method of protection was cumulative and not alternative⁵⁶ and section 45 of the Act of 1905 enacted this specifically.⁵⁷

The advent of trade mark legislation led to a change in terminology: the expression "infringement" being thereafter generally reserved for the statutory action whilst "passing off" was applied to non-statutory actions whether or not they involved a trade mark.⁵⁸

54. Section 1 of the Act of 1875, section 75 of the Act of 1883, as amended.

55. Section 1 of the Act of 1875, section 77 of the Act of 1883, and section 42 of the Act of 1905.

56. See *Cornish Intellectual Property* 396.

57. See section 45 of the Act of 1905 which provided: "Nothing in this Act contained shall be deemed to affect rights of action against any person for passing-off goods as those of another person or the remedy in respect thereof".

58. *Shanahan Trade Mark Law* 4.

Registration provided *prima facie* evidence of the right of the registered proprietor to the exclusive use of the trade mark and, subject to the provisions of the Acts, the right became conclusive after five years of registration.⁵⁹ The period was extended to seven years under the Act of 1905.⁶⁰

It must be noted throughout that trade marks registered under the Acts remained inextricably linked to specific goods or classes of goods and did not afford the proprietors thereof an infringement action against all users in trade but only in respect of use in relation to the same goods.⁶¹

12. *EARLY LEGISLATION IN THE U.S.A.*

12.1 *The Acts of 1870 and 1881*

The first Federal trade mark registration statute was passed by Congress in 1870.⁶² The Act had a short lifespan for in 1879 the United States Supreme Court held the Act unconstitutional.⁶³ The Court decided that the power to regulate trade marks probably resorted under the Commerce Power which was "to regulate commerce with foreign nations and among the several states, and with the

59. Section 3 of the Act of 1875, section 76 of the Act of 1883 and see section 40 of the Act of 1905.

60. Section 41.

61. See section 2 of the Act of 1875 which provided that "a trade mark must be registered as belonging to particular goods, or classes of goods"; section 65 of the Act of 1883 and section 8 of the Act of 1905 both provided: "a trade mark must be registered for particular goods or classes of goods". The extent to which this fundamental early concept of trade mark law can be put aside is a central question to the debate relating to the concept of trade mark dilution discussed in chapters 14 and 17.

62. "An Act to revise, consolidate and amend the statutes relating to patents and copyrights", Act of July 8, 1870, ch 2, Acts 77-84, Stat. 198; New York had already passed a statute "to prevent fraud in the use of false stamps and labels" and eleven similar state statutes had been passed by 1870. The California registration statute was enacted in 1863: See Pattishall 68 TMR 121-147 (1978) 126, 129.

63. In the Trade Mark Cases (1879) 100 US 82, 25 L ed. 550.

Indian Tribes". As the Act purported to deal with trade mark matters under the patent and copyright clause of the Constitution to which trade marks had no reference, it was held that Congress had unconstitutionally exceeded its powers and the Act was set aside.⁶⁴

It is interesting to note that also in the U.S.A., the primary reason for the enactment of the first trade mark legislation was not so much the protection of traders at home but in order to obtain the advantages of reciprocal statutes abroad and proposed treaties with countries such as Belgium, France, Russia and Great Britain.⁶⁵

The 1870 Act provided a common law action for damages and injunctive relief in a court of competent jurisdiction in respect of an infringement comprising unlawful reproduction, copying, counterfeiting or imitation of a trade mark recorded under the Act and affixed to goods of the same kind as those referred to in the registration.⁶⁶

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64. See McCarthy *Trade Marks and Unfair Competition* 135-136, and Pattishall 130-131, regarding the Trade Mark Cases.
65. Schechter *Historical Foundations* 140.
66. See the Act of July 8, 1870 16 Stat. at L 198, section 79: "And be it further enacted, that any person or corporation who shall reproduce, copy, counterfeit, or imitate any such recorded trade mark, and affix the same to goods of substantially the same description, properties and qualities as those referred to in the registration, shall be liable to an action on the case for damages for such unlawful use of such trade mark at the suit of the owner thereof in any Court of competent jurisdiction in the United States, and the party aggrieved shall have his remedy according to the course of equity to enjoin the wrongful use of his trade mark, and to recover compensation therefor in any Court having jurisdiction over the person guilty of such wrongful use. The Commissioner of Patents shall not receive and record any proposed trade mark which is not and cannot become a lawful trade mark, or which is merely the name of a person, firm or corporation only, unaccompanied by a mark sufficient to distinguish it from the same name where used by other persons, or which is identical with a trade mark appropriated to the same class of merchandise and belonging to a different owner and already registered or received for registration, or which so nearly resembles such last-mentioned trade mark as to be likely to deceive the public: Provided that this

The Act did not provide criteria according to which marks were to be adjudged registrable or define categories of registrable marks. Persons claiming an entitlement to the exclusive use of a trade mark or intending to adopt and use it exclusively, could apply for its registration.⁶⁷

In 1881, a new statute providing for registration of trade marks to be used in commerce with foreign nations and the Indian tribes was enacted without in any way providing for marks used in interstate commerce. According to **McCarthy**, as a result, American business chafed under the totally inadequate provisions of the 1881 Act for twenty-four years.⁶⁸

The remedies afforded against infringement under the 1881 Act were the same as those provided by the Act of 1870, but the criminal sanction fell away.⁶⁹

Under both enactments, registration was to endure for thirty years. Under the 1870 Act, the registrant was entitled to exclusive use of the registered mark, whilst under the 1881 Act, registration merely afforded *prima facie* evidence of ownership.⁷⁰

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66. (cont) section shall not prevent the registry of any lawful trade mark rightfully used at the time of the passage of this Act." This Act was amended in 1876 to provide criminal sanctions for counterfeiting of trade marks and the sale or dealing in counterfeit trade-marked goods. See McClure 315. No criminal sanction has appeared in any subsequent federal trade mark legislation. See Pattishall 130.
67. See Pattishall 130.
68. See McCarthy *Trade Marks and Unfair Competition* 136-137; According to Pattishall 134 the framers of the 1881 Act, no doubt over-reacting to the Supreme Court's decision in the Trade-Mark Cases two years earlier, strictly confined the Act's scope to marks used in commerce with foreign nations and the Indian tribes; The Act was entitled: An Act to authorise registration of trade marks and protect the same, March 3 1881, ch 138, 21 Stat. 502. The Act was again not based on the commerce clause.
69. See section 7 of the Act of 1870.
70. Section 78 of the Act of 1870 and section 7 of the Act of 1881.

A mark which so nearly resembled some other person's lawful trade mark as to be likely to cause confusion or mistake in the minds of the public, or to deceive purchasers, were denied registration. Any lawful trade mark rightfully used at the time of the enactment of the amending Act of 1882 was not, however, in terms of the amending Act, to be denied registration.⁷¹

12.2 *The Act of 1905*

Eventually, in 1905, Congress enacted the Trade-Mark Act 1905⁷² which provided machinery for the registration and protection of trade marks in inter-state commerce. The Act did not create substantive rights and expressly provided in section 23 that common law rights were to be left unaffected. Protection was afforded against use of marks in respect of goods with the 'same descriptive properties'. For the most part, registrability followed the common law doctrines discussed immediately below.⁷³

The common law at the time of the 1905 Act was briefly this: two different suits were available involving different standards of proof. Technical trade marks were afforded absolute protection by the trade mark infringement action for the success of which the plaintiff had merely to show a taking of the trade mark without having to prove actual confusion or fraudulent intent on the part of the taker. Non-technical marks were afforded protection by the passing-off or unfair competition action in which the plaintiff had to prove actual deception of purchasers, fraudulent intent on the part of the defendant, and secondary meaning. In order to prove secondary meaning it had to be shown that the mark had become distinctive through long use and had become associated in the public mind with the goods of the plaintiff.⁷⁴

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- 71. The amending Act was named: An Act relating to the registration of trade marks, August 5, 1882, ch 393, 22 Stat. 298. See Pattishall 134.
 - 72. The Trade Mark Act of 1905, ch 592, 33 Stat. 724.
 - 73. See McCarthy *Trade Marks and Unfair Competition* 137; McClure 316, 324.
 - 74. McCarthy *Trade Marks and Unfair Competition* 117-121.

The expression 'technical trade mark' was a term of art at the time and referred to trade marks which could be said to have one or more of the following properties, namely, that of being fanciful, invented, arbitrary, distinctive, or non-descriptive. **McClure**, consequently, states that the basis of protection of trade marks was at that time determined by etymology.⁷⁵

The marks which were protected by the law of unfair competition, once they had attained a secondary meaning, were termed 'trade names' and included marks which were descriptive, geographical, and personal names. "Trade name", therefore, was a generic term of art used to indicate marks of a category which required proof of secondary meaning to obtain legal protection under the law of unfair competition.⁷⁶

Thus, under the Act of 1905, only technical common-law trade marks could be registered and registration of geographical terms, descriptive marks, personal names and names of individuals, firms or corporations was enjoined - unless the mark had been in actual and exclusive use by the applicant upon his goods for a ten-year period preceding 20 February 1905 (the 10-year clause).⁷⁷

Registration of marks which would be likely to cause confusion with reference to prior use or registered marks was prohibited.⁷⁸

With the passage of time an additional category of marks, 'suggestive marks', were held to be registrable by the Courts under the Act of 1905. We have seen that the Act refused registration to descriptive marks regardless of proof of secondary meaning. When faced with marks which

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- 75. McClure 316; and see McCarthy *Trade Marks and Unfair Competition* 118-119.
 - 76. McCarthy *Trade Marks and Unfair Competition* 119-121.
 - 77. McCarthy *Trade Marks and Unfair Competition* 137.
 - 78. See Pattishall 135.

skillfully alluded to the goods in a subtly descriptive way - marks in the grey area between arbitrary and descriptive - the courts labelled them suggestive and allowed them registration (in effect giving them the benefit of the doubt).⁷⁹

Registration under the Act of 1905 offered *prima facie* evidence of ownership of the mark only, and the registrant's entitlement could, therefore, be rebutted.⁸⁰

Infringement remained couched in terms of counterfeits, copies and imitations when applied to goods of the same descriptive qualities and only marks used in inter-state commerce could infringe.⁸¹

McCarthy observes, in sum, that the numerous amendments led to the Act taking on the guise of a 'crazy quilt of modifications and amendments' which was never able to cope with the demands of 20th Century commerce.⁸²

13. *IN SUM*

The first trade mark registration came about through diverse causes: the onerous and expensive nature of the passing-off action in cases of trade mark imitation, the failure of the law to control the adulteration of commodities, the prevalence of the false marking of goods and, ultimately, the advantages of international arrangements which a trade mark registration system could provide.

79. McCarthy *Trade Marks and Unfair Competition* 488-489; An amendment to the 1905 Act during 1920 came to allow registration of non-technical marks which were not, however, regarded under the Act as providing *prima facie* evidence of the registrant's rights thereto: See McCarthy, *supra* 138, footnote 13; Registration under the 1920 Act provided little benefit other than access to the Federal Courts and the right to display notice of registration with the mark: See Pattishall 136; The 1905 Act was amended or supplemented sixteen times up to 1938: See Pattishall 138, footnote 78.

80. McCarthy *Trade Marks and Unfair Competition* 138.

81. See Pattishall 135.

82. McCarthy *Trade Marks and Unfair Competition* 138.

At first, a criminal sanction approach was adapted under the Merchandise Marks Act of 1862. Criminal sanctions were, however, more suited to addressing the false marking of goods problem than to affording complainants relief in passing-off situations involving trade marks.

When the first trade mark registration Act was introduced during 1875 the equity view that trade mark infringement was an infringement of property underpinned the Act. The idea that registration created a right of property underpinned also the subsequent enactments. This property right was, however, of uncertain definition and subject to an important limitation - its protection was confined to use of the mark in respect of the goods or class of goods for which registration had been obtained.

Registration was, at first, regarded as equivalent to public use of the mark and afforded *prima facie* evidence of the right of the registrant to use the mark exclusively. After five years (seven years from the 1905 Act onwards), registration afforded conclusive evidence of the registrant's exclusive rights, subject to the provisions of the applicable Act.

Special exceptions regarding certain old marks aside, no infringement action was afforded to non-registered marks and relief under the Acts and at common law was cumulative.

In equity at the time of the enactment of the first Act, adoption and use of a distinctive mark on vendable goods in the market-place created property in the mark. The first trade mark Acts re-inforced the judicial concept that distinctive marks achieved the status of property through use and the concept of distinctiveness was entrenched by the enactments as a corner-stone of trade mark law. For a mark to be registrable - to be afforded the status of property - it had to be distinctive. Despite the expanded range of registrable marks introduced by subsequent Acts, such as fancy words,

invented words, old distinctive marks and later categories, the true test of registrability remained that of distinctiveness.

Considerations of international reciprocity was also a primary reason for early trade mark legislation in the U.S.A.. Early legislation in the United States did not feature the detail of concurrent trade mark legislation in the United Kingdom.

No substantive rights were enacted and the law as to registrability and infringement was largely a re-enactment of the common law.

The American legislation did not provide criteria for judging the registrability of marks or define categories of registrable marks. Nevertheless, only technical trade marks (which were distinctive *per se*) and, later, marks which were *de facto* distinctive, qualified for registration. Thus, registrability turned on distinctiveness in the United States, also.

Although the initial legislation entitled a registrant to exclusive use of the registered mark for a thirty-year period, registration under subsequent enactments provided *prima facie* evidence of ownership, only.

On the whole, the early legislative enactments, culminating in the Trade Mark Act of 1905, failed substantially to meet the demands and needs of commerce and the United States national market.

The shortcomings of the early American enactments did, however, result in the parallel common law unfair competition trade mark action - which was developed by the courts - having a far more significant role to play in the trade mark law of the United States than was the case in England where the common law action was to become secondary to the trade mark infringement action of the trade mark Acts.

CHAPTER 4

TRADE MARKS AS PROPERTY: THE EARLY 20TH CENTURY

This chapter considers judicial attitudes towards the concept of "property" in early twentieth century Anglo-American trade mark law, and concludes the first part of this work.

English law on the question was settled by then: registration afforded the registrant a registered right of property whilst at common law, as we shall see, the House of Lords had held that outside of registration there was no property in a trade mark *per se*.

American law appears to have been less certain concerning the matter. I have by way of illustration, highlighted the views of two American researchers regarding the topic, namely, **Frank I Schechter** and **Daniel M McClure**. **Schechter's**¹ views were expressed more or less contemporaneously with the two landmark cases which I shall discuss whilst **McClure's**² historical study has the benefit of hindsight.

Sebastian³, in his work on English trade mark law published during 1899, states that the right afforded by a trade mark registration under the trade mark Acts of 1875, and 1883-1888, was a right of property. The person

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1. Frank I Schechter is an important figure in the history of US trade mark law. His primary research - especially regarding medieval marks - for his doctoral thesis *The Historical Foundations of the Law Relating to Trade Marks*, New York, 1925, has not been surpassed in the U.S.A.. Schechter is also regarded as the father of the dilution doctrine and his article - *The Rational Basis of Trademark Protection* 40 Harvard Law Review 813 - is seen as seminal thereto. See also p 439-444 *infra* regarding Schechter.
 2. Daniel M McClure's scholarly article - *Trade Mark and Unfair Competition: A Critical History of Legal Thought* 69 TMR 305-356 (1979) earned him the Stephen P.Ladas Memorial Award for 1978.
 3. See Sebastian *Trade Marks* 170.

entitled to the mark was, in terms of this legislation, the proprietor of the mark entitled to its exclusive use. Although his rights were "less unlimited" than those of owners of other kinds of property - in the sense that trade marks could be transferred only in connection with the goodwill of the business in the goods in respect of which the mark was registered - the proprietor was otherwise entitled to deal with his mark as he chose, subject to the provisions of the Act.⁴

Schechter points out that early twentieth century text writers on equity and tort regarded trade mark infringement as the violation of a property right of one kind or another: a property right of an indefinite kind.⁵

The courts, on the other hand, whilst seeking to protect trade marks, were at the same time largely disinclined to base relief upon a theory of property protection even though they were not able to discover a sound alternative ground for relief.

A review of the cases from **Sykes v Sykes**⁶ to **Addley Bourne**⁷ revealed, in **Schechter's** view, that at common law the trade mark infringement action was founded in deceit and proof of fraud by the defendant was the essence. Equity set out to protect the plaintiff's exclusive use of the mark irrespective of fraud and acted on the principle of protecting property. The nature of the property concerned was not, however, defined. (In this regard **Schechter** refers specifically to **Edelstein's** case⁸ and the **Leather Cloth** case.⁹) Nevertheless,

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4. This remained the theoretical position under the Trade Marks Act, 1938. See Drysdale and Silverleaf *Passing Off* 3 and p 219-220 *infra*.
 5. *Schechter Historical Foundations* 151.
 6. See p 23-25 *supra*.
 7. See p 31 footnote 32 *supra*.
 8. See p 25 footnote 20 *supra*.
 9. See p 29-31 *supra*.

certain English judges, including equity judges, held that there is no property in a trade mark (referring to **Reddeway v Banham**¹⁰ and the other English cases referred to in **Hanover Star Milling Co. v Metcalf**¹¹).¹²

Referring to Anglo-American trade mark law in general, **Schechter** concluded that the courts were faced with a dilemma: on the one hand, judges were anxious to protect trade marks because trade mark piracy was regarded repugnant to the judicial conscience. On the other hand, the courts had to feel their way towards some legal theory of trade mark protection which avoided the necessity of having to invoke the only basis of equitable protection to which they had at one time become accustomed to resort, namely, the protection of a property right.¹³ Why the courts should have tried to avoid regarding trade marks as property is not clear from **Schechter's** discussion. It appears, however, that it was the spectre of allowing a monopoly which led to resistance.

According to **McClure**, the idea of trade marks as property developed slowly in the United States. Despite that the Supreme Court had held in the **Trade Mark Cases**¹⁴ that the right to a trade mark was a property right, American courts showed an early and strong disinclination to base relief in trade mark cases upon a theory of property:

The reluctance of courts to recognise a property right in trademarks stemmed from the feeling that to do so would give a monopoly in

10. See p 32-33 *supra*.

11. See 81-83 *infra*.

12. See Schechter *Historical Foundations* 152-153. The investigation of the early cases in chapter 2 confirms Schechter's conclusions. See p 38 *supra*.

13. See Schechter *Historical Foundations* 60. In the U.S.A. this dilemma is still present and is as apparent today as it was at the time of Schechter's writing, 1925: See Chapter 14.

14. See footnote 63 p 64 *supra*.

*language to private individuals, thus depriving competitors of the use of the word. The English vocabulary was said to be "the common property of mankind, in which all have an equal share and character of interest. From these fountains whosoever will may drink, but an exclusive right to do so cannot be acquired by any". It was believed that to give a monopoly in language would lead to a monopoly in production.*¹⁵

During the late 19th Century, however, with the rise in legal formalism, 'property' was conceived as conferring an exclusive right which was good against the whole world. When trade marks came to be regarded as property during this time, the trade mark owner was seen to be endowed with all the natural rights to which any other property holder was entitled. Thus, says **McClure**, fraud in technical trade mark infringement cases fell away for if a man had an absolute right to use a mark, innocent infringement had also to be forbidden.¹⁶

The researches of **Schechter** revealed that in a long line of early decisions in state courts prior to the Supreme Court decision in the **Trade Mark Cases**,¹⁷ it had been held that there was property in trade marks which was protectable at common law without reference to statute.¹⁸ However, when judicial scrutiny of trade marks moved from constitutional questions to tort, caution set in and trade marks became appurtenant to an existing business goodwill.¹⁹

In **Schechter's** view, the primary difficulties faced by the courts and text writers were not so much as to the nature of trade marks but as to the nature of trade mark

15. See McClure 314-315. But see also p 533-534 *infra*.

16. McClure 317-318. See also p 384 *infra* regarding formalism in US trade mark jurisprudence.

17. P 64 *supra*.

18. Schechter *Historical Foundations* 153-154.

19. Schechter *Historical Foundations* 154-155, referring especially to *Hanover Star Milling Co. v Metcalf* 240 U.S. 403 (1918) discussed at p 81-83 *infra*.

rights and the proper basis for their protection. The principal obstruction had been whether or not trade marks were "property rights":²⁰

*This uncertainty, it will be recalled, was very noticeable in the deliberations of both the British Parliament and the Congress of the United States concerning legislation providing for trade-mark registration, and while a great deal of law has been made in the last half century and much commentary has been written in recent years upon that law, there still appears to be much confusion on the point.*²¹

Schechter poses two problems which are central also to the address of this thesis:

Two problems of trade-mark law and of the law of unfair competition, which has been developed largely by analogies to the law involving cases of technical trade-marks, perplex the minds of both British and American courts, and conflicting theories with regard to these problems are materially affecting the decisions of these courts in cases that are constantly being presented to them. In the first place, in both British and American courts, the very nature of the right in a trade-mark is still unfixed.

In the second place, aside from the determination of the somewhat metaphysical question as to the exact nature of a right in a trade-mark and of injury to trade marks, there is the very practical consideration as to the basis of relief in trade-mark cases and, more particularly, in cases of unfair competition.

20. As will be seen (p 511-512, 513-518 *infra*) the common law does not know the doctrine of subjective rights and the courts of Schechter's time could not, therefore, see trade marks as the object of such a right as I will suggest they should be regarded in our law.

21. See Schechter *Historical Foundations* 150-151. I have already observed that British trade mark legislation accepted the property approach of equity from the start and even today registration is seen as conferring a right of property and exclusive use: see p 607-608, *infra*. It is certainly so, however, that this "property right" only obtained a definition in the 1994 UK Act (see p 607 *infra*). In the common law the "property" concerned has found gestalt in the concept of goodwill in the business of the mark. See par. 4 Chapter 8 p 170-187, *infra*; Chapter 9 and p 608-609 *infra*.

*In England and, to a much greater degree, in this country courts are endeavouring to reach a conclusion as to whether, in such cases, the true basis of relief is the deception of the public or whether, on the other hand, it is the injury to the owner of the trade mark involved.*²²

It is certainly so that in England, the tort of passing-off - of which the trade mark infringement action was regarded as the most important example - was and still is founded in a misrepresentation of fact, like the tort of deceit. The misrepresentation, although directed at the public (who stand to be deceived) is actionable at the suit of the person whose business is injured by the misrepresentation and not at the instance of the deceived - as is the case with the tort of deceit.²³

1. THE CONFLUENCE OF ANGLO-AMERICAN CASE LAW REGARDING PROPERTY IN TRADE MARKS

In two major cases, the one decided in the House of Lords and the other by the Supreme Court of the United States, it was determined in 1915 and in 1916, respectively, that the species of property protected by the trade mark infringement action is not to be found in the mark, name, or get-up taken by the defendant but in the business or goodwill likely to be injured by the defendant's taking.²⁴

It is clear that even though his work was published a decade or so after these decisions, **Schechter** did not then entirely foresee the lasting imprint which the English case, especially, was to have upon the law.

1.1 *Spalding v Gamage*²⁵

The speech of **Lord Parker**²⁶ in this case has had a

22. Schechter *Historical Foundations* 4-5.

23. See Drysdale and Silverleaf *Passing Off* 9; see also the words of Lord Parker in *Spalding v Gamage* discussed below.

24. Lloyd & Bray *Kerly* 7th ed. 391-392; Shanahan *Trade Marks* 3.

25. *A G Spalding v A W Gamage Ltd* (1915) R.P.C. 274(HL).

26. Lord Parker of Waddington p 283 - 288 of the report.

lasting effect upon the English law of passing-off and trade marks. His *dictum* as to the nature of the property involved in trade mark cases is of particular relevance to this enquiry. The case was one of passing-off. In this regard it must be borne in mind that the common law trade mark infringement action is a species of passing-off and passing-off provides the context of the discussion.

The principle underlying passing-off, confirmed **Lord Parker**, was that nobody has the right to represent his goods as the goods of somebody else. This, he observed, is also sometimes stated in the proposition that nobody has the right to pass-off his goods as the goods of somebody else. **Lord Parker** preferred the first formulation because it had long been settled, in his judgment, that actual passing-off of a defendant's goods for the plaintiff's need not be proved as a condition precedent for relief in equity. For equitable relief it was enough for the representation to lead to or give rise to a probability that damage would ensue. Equity treated the representation as the invasion of a right. Fraud was not required.²⁷

A different view had, however, been taken at common law for it was said that the plaintiff's common law remedy was in the nature of an action for deceit. According to **Lord Parker**, the passing-off action only resembled the action for deceit in that the misrepresentation relied upon had to have been fraudulently made. It differed, he said, from an action for deceit in all other respects.²⁸ In **Blofield v Payne**²⁹ the action had been treated as one founded on the invasion of a right. Thus, the principle underlying the passing-off action ought possibly to be re-stated as follows:

27. See p 283 of the report.

28. See p 283 of the report.

29. *Blofield v Payne* (1833) 4 B. Ad. 410. See p 25 *supra*.

*A cannot, without infringing the rights of B, represent goods which are not B's goods or B's goods of a particular class or quality to be B's goods or B's goods of that particular class or quality. The wrong for which relief is sought in a passing-off action consists in every case of a representation of this nature.*³⁰

Lord Parker proceeded to examine the nature of the right which was invaded in passing-off actions. There was, he observed, a considerable diversity of opinion regarding the nature of the right. The more general opinion was that the right was a right of property. This, he said, demanded an answer to the question: property in what? Some authorities had held that the property was in the mark, name, or get-up improperly used by the defendant. Others held the view that it was property in the business or goodwill which was likely to be injured by the misrepresentation.³¹ In **Lord Parker's** view, if the right invaded was a right of property at all, there were strong reasons for preferring the latter view. These were the following:

- (a) the cases of misrepresentation through the use of a mark, name, or get-up did not exhaust all possible cases of misrepresentation giving rise to a passing-off action;

30. See p 284 of the report. The basis of the passing-off action was, therefore, a false representation by the defendant which had to be proved as a fact in each case. The representation could be express or implied. **Lord Parker** went on to say: "The more common case is, where the representation is implied in the use or imitation of a mark, trade name, or get-up with which the goods of another are associated in the minds of the public, or of a particular class of the public. In such cases the point to be decided is whether, having regard to all the circumstances of the case, the use by the defendant, in connection with the goods of the mark, name, or get-up in question impliedly represents such goods to be the goods of the plaintiff, or the goods of the plaintiff of a particular class or quality, or, as it is sometimes put, whether the defendant's use of such mark, name, or get-up is calculated to deceive. It would, however, be impossible to enumerate or classify all the possible ways in which a man may make the false representation relied on."

31. See p 284 of the report.

(b) as the facts in **Reddeway v Banham** ([1870] A.C. 199) had illustrated,³² a misrepresentation involving descriptive words which the court had found every trader could use - except if his use was calculated to deceive - might well afford a passing-off action. Yet, it was extremely difficult to see how a man could be said to have property in descriptive words. Even in the case of common law trade marks the property, if any, was by its very nature transitory, for it only existed for so long as the mark was distinctive of the goods of the so-called owner in the market place. Indeed, the essential need of proving distinctiveness in every case was one of the evils sought to be remedied by the Trade Marks Act, 1875 which, said **Lord Parker**, conferred a real right of property on the owner of a registered mark.³³

Lord Parker then confirmed his conclusion in the earlier case of **Burberry's v Cording**,³⁴ where he had held that the property which was to be protected by an injunction was not property in the word or name concerned, but property in the trade or goodwill which would be injured by its unlawful use.³⁵

The few words of **Lord Parker** in **Spalding v Gamage** were seen as the final blow to the doctrine in English Law that there is property in a trade mark itself. When the earlier acts were passed the prevalent view was that trade mark cases were a species of the genus of passing-off cases distinguishable by virtue of the fact that there was "property" in the trade mark which its

32. The House of Lords had restrained use of the words "Camel-hair Belting" in respect of belting in circumstances where the successful appellant had established the words as a mark for belting of his manufacture made of yarn derived chiefly from camel hair.

33. See p 284 - 285 of the report.

34. [1878] A.C. 199.

35. See p 285 of the report.

imitation would infringe. The reasoning in **Spalding v Gamage** sought to show that this distinction could not be borne out by logic. Therefore, the case established that except in relation to the rights which flowed from a valid trade mark registration under the trade mark Acts, the "property" involved in trade mark matters is to be found in the goodwill of the business concerned and it is pursuant to real or potential damage thereto that the law grants relief in passing-off cases. The fact that a trade mark provides a means for identifying the goods of the owner of a business and functions as a means of bringing custom to the business merely establishes the mark as an element of the goodwill of that business and not as property, *per se*.³⁶

1.2 *Hanover Star Milling Co. v Metcalf*³⁷

In this case **Mr Justice Pitney** delivered a contemporaneous and counterpart United States judgment to **Spalding v Gamage**.

The Judge held that the essence of the wrong of trade mark infringement in the United States comprised the sale of the goods of one manufacturer or vendor for those of another. This essential element was the same both in trade mark cases and in cases of unfair competition which were unaccompanied by trade mark infringement. The common law of trade marks was but a part of the broader law of unfair competition.³⁸

Regarding property in a trade mark **Pitney J** held:

Common-law trademarks, and the right to their exclusive use, are of course to be classified amongst property rights, Trade-Mark

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- 36. See Lloyd and Bray *Kerly* 7th ed. 392; GE Trade Mark [1973] R.P.C. 297, 325-326.
 - 37. *Hanover Star Milling Co. v Metcalf* 240 US 403 (1916).
 - 38. See p 413 of the report.

Cases, 100 U.S. 82, 92, 93 25 L ed. 550,551]; but only in the sense that a man's right to the continued enjoyment of his trade reputation and the good will that flows from it, free from unwarranted interference by others, is a property right, for the protection of which a trade mark is an instrumentality. As was said in the same case (p.94), the right grows out of use, not mere adoption. In the English courts it often has been said that there is no property whatever in a trade mark, as such. Per Ld. Langdale, M.R., in Perry v Truefitt 6 Beav. 73; per Vice Chancellor Sir Wm Page Wood (afterwards Ld. Hatherly), in Collins Co. v Brown, 3 Kay & J. 423, 426, 3 Jur. N.S. 930 5 Week. Rep. 676; per Ld. Herschell in Reddeway v Banham A.C. 1896, 199, 209, 65 L.J.O.B.N.S. 381, 74 L.T.N.S. 289, 44 Week. Rep. 638, 25 Eng. Rul. Cas. 193. But since in the same cases the courts recognised the right of the party to the exclusive use of marks adopted to indicate goods of his manufacture, upon the ground that 'a man is not to sell his own goods under the pretence that they are the goods of another man; he cannot be permitted to practise such a deception, nor to use the means which contribute to that end. He cannot therefore be allowed to use names, marks, letters, or other indicia, by which he may induce purchases to believe, that the goods which he is selling are the manufacture of another person' (6 Beav. 73); it is plain that in denying the right of property in a trade mark it was intended only to deny such property right except as appurtenant to an established business or trade in connection with which the mark is used.

This is evident from the expressions used in these and other English cases. Thus, in Ainsworth v Walmsley, L.R. 1 Eq. Cas. 518, 524, Vice Chancellor Sir Wm. Page Wood said: "This court has taken upon itself to protect a man in the use of a certain trademark as applied to a particular description of article. He has no property in that mark per se any more than in any other fanciful denomination he may assume for his own private use, otherwise than with reference to his trade. If he does not carry on a trade in iron, but carries on a trade in linen, and stamps a lion on his linen, another person may stamp a lion on iron; but when he has appropriated a mark to a particular species of goods, and caused his goods to circulate with this mark upon them, the court has said that no one shall be at liberty to defraud that man by using that mark, and passing off goods of his manufacture as being the goods of the owner of that mark.

In short, the trade mark is treated as merely a protection for the good will and not the subject of property except in connection with an existing business. The same rule prevails generally in this country, and is recognised in the decisions of this court already cited. ³⁹

2. IN SUM

Thus, in 1915 and 1916, respectively, the British and American courts in landmark decisions adopted the view that trade marks were appurtenant to the goodwill of the business in the trade in which the mark was used and this is where the property involved in passing-off and common law trade mark infringement cases is located. No property is to be found in the trade mark itself.

The concept of property in British and American trade mark law - where it has still not attained certain definition - is of particular relevance to the topic of this thesis. It is equally relevant, however, to note that common law and civil law concepts of property differ.

There has always been a close connection between South African and British trade mark law. The South Africa law of trade marks has, for the most part, been based upon British legislation and precedent. Furthermore, the new trade mark legislation in South Africa is again intended to follow developments in the United Kingdom.

Thus, in Part 2 I shall consider those aspects of trade mark law in the United Kingdom prior to 31 October 1994 which are most relevant to an examination of the nature of the right to a trade mark.

The concept of trade mark dilution, which new trade mark legislation has introduced to the South African law, originates in the trade mark law of the United States where it features in a particular historical and

39. P413 of the report.

theoretical context. This should be known to South African lawyers called upon to apply the doctrine.

Thus, Part 5 will consider current theories in the trade mark law of the U.S.A. which seek to expand the limits of protection traditionally afforded trade marks - including the dilution doctrine - and the significance of US trade mark law and theory in relation to the South African law of trade marks.

PART 2

*UNITED KINGDOM: THE LAW UNDER THE 1938 ACT;
TRADE MARKS, GOODWILL, PROPERTY AND THE DEVELOPMENT
OF ENDURING THEMES*

CHAPTER 5

UNITED KINGDOM: THE 1938 ACT - INTRODUCTION

This chapter deals with changes to the trade mark law of the United Kingdom brought about by the Amendment Act of 1937 and the consolidating Act of 1938.¹ The 1937 Act came into force on 27 July 1938 and was immediately repealed and re-enacted on the same day by the 1938 Act.²

The 1937 Act amended aspects of the then current legislation, the 1905 Act as amended by the 1919 Act. The 1938 Act was a consolidating Act which made no further changes to the law. Thus, on 27 July 1938, the law of trade marks in the United Kingdom was the law applicable prior to that date as amended by the 1937 Act and then consolidated by the 1938 Act. It followed that decisions of court applicable to the provisions of the 1905 Act (as amended prior to 27 July 1938) were maintained as the law under equivalent provisions of the 1938 Act.³ Where changes were introduced, however, the rules of common law derived from decisions upon matters in respect of which changes had been made could not provide a guide to the meaning of the new statutory provisions.⁴

Prior legislation had been directed chiefly at establishing a system of rights, confirmed by registration, approximating to the common law rights derived through use of a trade mark.

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1. The Trade Marks Amendment Act, 1937 (1 Edw. 8 1 Geo. 6, c.49) and the Trade Marks Act, 1938 (1 & 2 Geo. 6, c.22).
 2. See Lloyd *Kerly* 8th ed. 8; Bray & Underhay *1938 Act* 3.
 3. See Lloyd *Kerly* 8th ed.12.
 4. See Bray & Underhay *1938 Act* xiii - xiv.

The statutory rights were more easily established and more definite in effect but were nevertheless supplementary and similar in character to the rights in and to a trade mark at common law. It followed that the statutes were only properly understood with reference to the common law.⁵

Consequently the legislation in force immediately prior to the enactment of the 1938 Act and thereafter (save for those aspects which were changed by the 1937 Act) gave statutory effect to the nature and content of trade mark rights at common law.

The law concerning unregistered trade marks was not, for the most part,⁶ changed by the 1938 Act and common law trade marks remained under the protection of the passing off action. Common law rights were maintained side by side with the statutory rights. Statute and the common law provided cumulative relief against interference with trade mark rights.⁷

Section 2 of the 1938 Act specifically provided:

2. No action for infringement of unregistered trade mark

*No person shall be entitled to institute any proceeding to prevent, or to recover damages for, the infringement of an unregistered trade mark, but nothing in the Act shall be deemed to affect rights of action against any person for passing off or the remedies in respect thereof.*⁸

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5. See Bray & Underhay 1938 Act xiii; See also GE Trade Mark [1973] R.P.C. 297, 324 - 325 and 331 - 333 regarding changes brought about by the 1905 Act.
 6. But see p 175, 189-191 *infra* concerning assignment of unregistered trade marks in certain circumstances.
 7. Blanco White and Jacob Kerly 12th ed. 2.
 8. In the version of the Act applicable to services the word "service mark" merely replaces the word "trade mark" in section 2. For the historical development of the provision see section 1 of the 1875 Act, section 1 of the 1877 Act, section 77 of the 1883 Act and sections 42 and 45 of the 1905 Act.

Bray & Underhay point out that the latter part of the section was merely declaratory of the law as it was established prior to the 1905 Act. They go on to observe that it would be no defence to a passing off that the defendant was the registered proprietor of a mark, the use of which provided the basis of the plaintiff's action. A motion to rectify the Register by way of additional relief could however be appropriate in this instance.⁹

1. *CHANGES MADE BY THE 1938 ACT*

Many of the changes brought about by the 1937 amendment Act followed the recommendations of the Report of a Departmental Committee presented to Parliament during 1934.

The report revealed criticism in the market-place against those aspects of the then existing legislation which merely comprised the statutory assimilation of common law rights. In terms of the report a broader monopoly was required with wider and more effective provisions for the implementation thereof.¹⁰

The prevention of public deception had always been regarded as a fundamental tenet of trade mark law throughout its development prior to 1938. Insofar as the earlier registration statutes created monopoly rights these rights were qualified so that the statutes would not normally operate to encourage practices which would be likely to result in deception.¹¹

However in seeking to meet public demand for modification of trade mark law by implementing the recommendations of the Departmental Report the legislation which came into force during 1938 created

9. Bray & Underhay *1938 Act* xiii.

10. Bray & Underhay *1938 Act* xiv; See Lloyd & Bray *Kerly* 7th ed. 11 regarding the Report.

11. Lloyd & Bray *Kerly* 7th ed. 13. See also GE Trade Mark [1973] R.P.C. 297, 326 - 327.

statutory rights which diverged from aspects of the common law bedrock and the method previously applied in determining the import of statutory provisions relating to trade marks - a review of the cases.

1.1 *Infringement*

Firstly the 1938 Act broadened the infringement action.

Sections 4 and 5, in delimiting the rights given by Part A and Part B registration, respectively, and defining the infringement thereof, deemed certain uses of marks which were not calculated to deceive to be infringement. Furthermore section 6 in providing for infringement by breach of certain restrictions extended the infringement right beyond its historical developments in the common law.¹²

In sum, the infringement sections broadened the trade mark owners monopoly beyond the common law and rendered certain trade mark uses infringements whether or not this conduct would be deceptive.

1.2 *Methodology*

The second innovation brought about by the 1938 Act was one of method. In those instances where changes of principle had been introduced the common law was no longer a sure guide to the interpretation of the new statute.¹³ The intention of the legislature was to be determined according to the rules and presumptions of the law of Interpretation of Statutes without a governing rider that the provisions were necessarily a re-formulation of existing principles of common law.

12. Lloyd & Bray *Kerly* 7th ed. 13. and see the discussion of the Yeast-Vite case at p 240 *infra*.

13. Bray & Underhay *1938 Act* xiii.

1.3 *Licensing and Assignment*

The third change of substance was the introduction of licensing provisions and assignment without goodwill.

After the 1905 Act it became a fundamental principle of trade mark law that a trade mark should be connected in trade with the particular business in the goods featuring the mark. If this connection were to be severed public deception as to the origin of the goods featuring the mark would arise - contrary to public policy. It followed therefore that insofar as the licensing and assignment of trade marks without goodwill would sever the essential connection between those trade marks and the business in the goods which had featured the marks, deception would thereby result contrary to the public good. Licensing and assignment without goodwill were thus to be eschewed.

The 1938 Act broke with the fundamental principle discussed above in permitting licenses and assignment without goodwill albeit subject to restrictions: only registered marks should be licensed whilst unregistered marks used with registered marks had to be assigned alongside the registered marks in assignments without goodwill.

In making the aforementioned changes the 1938 Act recognised that the rigid approach anticipating deception in all cases of assignment and licensing was too narrow a view if cognizance was to be taken of actual conditions prevailing in trade.¹⁴

Thus, assignment and licensing of trade marks became ordinary events in trade under the 1938 Act. This rendered it unsound to assume that goods bearing certain trade marks - whether registered or not - always

14. Bray & Underhay 1938 Act xiv; Lloyd Kerly 8th ed. 9-10.

emanated from a single business.¹⁵

1.4 FURTHER INNOVATIONS

Further innovations of importance were:

- 1.4.1 The abolition of the two year prior use requirement for acceptance of trade marks in Part B of the register and the establishment of the Registrar's discretion in dealing with such applications;
- 1.4.2 Certain relaxations in the registrability requirements regarding marks *prima facie* not registrable;
- 1.4.3 The introduction of defensive registrations of invented words in certain circumstances;¹⁶
- 1.4.4 Other changes not relevant to the theme of this work.¹⁷

Comment regarding the complexity of the 1938 Act was immediate. It was described by **Bray & Underhay** as "a complicated piece of legislation abounding in cross references provisos and exceptions."¹⁸

In the Preface to the seventh edition of Kerly **Lloyd & Bray** stated the following concerning the Act:

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- 15. Lloyd & Bray *Kerly* 7th ed. 12. See p 61-62, 73 *supra* and p 164-169 *infra* regarding the position prior to the 1905 Act.
 - 16. Provided for in section 27 of the 1938 Act.
 - 17. See Lloyd Kerly 8th ed. 11 concerning sections 26, 29, 33, 26, 27, 29 and 63 for changes of a less fundamental nature than those specifically mentioned in the text. Changes concerning the definitions regarding marks and use are dealt with in the following chapter.
 - 18. Bray & Underhay *1938 Act* xiv. This work was published during 1938. F.G. Underhay was the author of the 6th ed. of Kerly's *Law of Trade Marks and Trade Names* published in 1927 whilst Bray K.C. was to author the 7th ed. of the work with F.G. Lloyd, which was published in 1951.

The Trade Marks Act of 1938 had introduced conceptions of a wholly novel nature into the law of trade marks. Many of the statutory rights created diverge from and in some cases conflict with the principles which had been applied in determining the common law rights of trade marks.

The Act of 1938 is therefore a complicated piece of legislation abounding in cross references, provisos and exceptions and containing some sections drafted in language which the Courts have described as turgid and diffuse.

The law of trade marks has always been full of difficulties and pitfalls and as Sir Duncan Kerly always insisted is much wider and more comprehensive than the Trade Marks Acts themselves.¹⁹

Writers views of the 1938 Act did not change substantially over the years. Thus during 1986 the refrain was repeated: although it was the intention that the 1938 Act should consolidate the law, parts of the Act could not be properly understood without recourse to the Acts which had preceded it and even to the law prior to the advent of the first registration statute.²⁰

Cornish, writing in retrospect, aptly states the evolving requirements and expectations of the commercial milieu both at the time of enactment of the Act and in which it would be required to function thereafter:

The scale of business organisation in the twentieth century, following the lead of the American "trusts", has led to many shifts in trading practice. The spread of production, the growth of a popular press with its immense prospects for advertising, the increase of trans-national business in successful products and the consequent need to shield high-priced markets against parallel imports from elsewhere were all characteristics of the new era. Brand advertising on a large

19. Lloyd & Bray Kerly 7th ed. v.

20. Blanco White and Jacob Kerly 12th ed. 1.

scale by manufacturers replaced goodwill that was principally associated with retail outlets, and this only increased the commercial significance of the trade marks around which it revolved. There was considerable pressure to be able to license and assign marks more freely than was possible under the British system. This stemmed not only from the spread of corporated groupings under parent holding companies and the increase in licensing of technology of business "packages". One particular advantage, it was hoped, was that if the same trade mark was in legally distinct ownership in different countries the rights could be employed to deter parallel importing. An elaborate and not very satisfactory compromise over assignment and licensing was embodied in the presently governing statute, the Trade Marks Act 1938.

New advertising techniques also led to pressure on the registration system to compensate for the absence of a general unfair competition law. The 1938 Act contained two concessions in this direction. Very well-known trade marks became registrable "defensively" for goods in which the owner did not trade, in the hope of preventing others from annexing any of their notoriety. But the judges treated this arrangement coldly and it has not had much impact. Owners of Part A trade marks were also enabled to object to comparative advertising and similar practices which attempted to take the benefit of the advertising without paying for it. Again, some judges found the expansion of the law unpalatable and the provision has had an uncertain effect.

In 1974, the Mathys Departmental Committee reported on the British system under the 1938 Act in terms of general satisfaction with the British way of doing things. After that much would begin to happen which would cast increasing doubt on those inherent virtues, which will be discussed in the next section. One result has been that the Trade Marks (Amendment) Act 1984 has extended the registration system to service marks for businesses, so that it is no longer necessary to prove passing off in order to protect the name, symbol or get-up of a business. The new section of the Register was opened in October 1986.²¹

21. Cornish *Intellectual Property* 396-397.

2. SERVICE MARKS

Prior to 1 October 1986 and pursuant to the decision of the House of Lords in **Aristoc v Rysta**²² which held that a mark could not be registered as a trade mark by an applicant providing a repair service for goods, no protection for service marks as such was afforded by the laws of the United Kingdom.

As **Cornish** observes, The Mathys Committee had recommended that provision should be made in the Trade Marks Act for registration of service marks.²³ It was not however until the Trade Marks (Amendment) Act, 1984 which came into force on 1 October 1986 with certain amendments made by the Patents, Designs and Marks Act, 1986, that a comprehensive system for the protection and registration of service marks was introduced.

Morcom states regarding the service mark legislation:

*Broadly, the effect of the 1984 Act is, by means of its two Schedules to create two "1938 Acts". One is essentially the original 1938 Act, as it has always applied to trade marks for goods, but amended in certain respects by the 1984 and 1986 Acts, in particular to take account of the new statutory recognition of service marks. The other is a substantially amended 1938 Act which is concerned with the registration and protection of service marks. By making an action for infringement available in addition to the common law action for passing off, the new law gives scope for greater protection for marks used in the service industry.*²⁴

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22. **Aristoc v Rysta** (1943) 62 R.P.C. 65.
23. See p 20 and 71 of the Report of the Committee to examine British Trade Mark Law and Practice dated 20 December 1973.
24. **Morcom Service Marks** 2.

It is to be noted however that the legislation did not bring two Acts into being at law. One law remained, the Trade Marks Act, 1938, but modified and amended to apply to both trade marks and service marks.²⁵

It appears that at common law service marks are not regarded as property to which a party might have title. According to **Morcom**, the 1984 Act therefore possibly created a right of property in a service mark not previously recognised by law.²⁶

3. *IN SUM*

The substantive amendments to the law effected during 1938 and 1986 denote those areas of the law where trade mark rights were by that time in pressing need of development: the ambit of the infringement action, assignment, licensing and the need to afford protection to service marks. These aspects together with those aspects of the law indicating which matter could be a trade mark and which matter would be registrable as a trade mark require further examination in an enquiry as to the nature and development of trade mark rights. This is done in the chapters which follow.

25. *Morcom Service Marks 7.*

26. *Morcom Service Marks 6.*

CHAPTER 6

UNITED KINGDOM: THE 1938 ACT - OBTAINING REGISTRATION

Immediately prior to the coming into force of The Trade Marks Act, 1994¹ the law of trade marks in the United Kingdom was governed by the common law, The Trade Marks Act, 1938 as amended by the Trade Marks (Amendment) Act, 1984², the Patents, Designs and Marks Act, 1986³ and the Copyright, Designs and Patents Act, 1988.⁴

It will be recalled that from the coming into force of the 1984 and the 1986 Acts the 1938 Act subsisted in two different albeit parallel versions which differed in detail and which applied to trade marks in the one instance and service marks in the other.⁵

This chapter and the next consider the provisions of the 1938 Act, as amended and supplemented, which are most relevant to the central enquiry of this work - the nature of the trade mark right.

Henceforth, references to "the 1938 Act" or "the Act" include the provisions of the enactment itself as well as the provisions of all relevant amending and supplementary legislation thereto.

This chapter considers those provisions which defined a "mark" and a "trade mark" and which determined which

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1. On 31 October 1994.
 2. Trade Marks (Amendment) Act, 1984 (1984 c 19). This Act introduced registration of service marks to the United Kingdom.
 3. Patents, Designs and Marks Act 1986 (1986 c 39).
 4. Copyright, Designs and Patents Act, 1988 (1988 c 48). As far as trade marks are concerned, this Act dealt with trade mark agents and certain offences.
 5. See Blanco Blanco White & Jacob *Kerly* 12th ed. 491 and p 93-94 *supra*.

marks were registrable - including the key concepts of "distinctiveness" and "use". Consideration is given throughout to the role of the exercise of the Registrar's discretion in the application of the provisions concerned.

An examination of the rights and remedies afforded by registration and relevant aspects of the assignment and licensing of trade marks follows in chapters 7 and 8.

1. *OBTAINING TRADE AND SERVICE MARK REGISTRATION UNDER THE ACT*

In order to obtain Part A registration an applicant was required to satisfy and overcome a four tier set of requirements and obstacles provided by the Act. The onus was upon the applicant to show that:

- 1.1 the subject of his application was a "mark" as defined;
- 1.2 the mark comprised a "trade mark" or "service mark" as defined;
- 1.3 the trade mark was sufficiently distinctive in terms of the Act to qualify for Part A registration;
- 1.4 the trade mark was not disqualified from registration for some other reason provided for in the Act.⁶

Essentially, therefore, the Act provided a series of positive requirements for registration which the applicant had the onus of overcoming before the trade mark would be registered.

I shall deal with each requirement in turn in the paragraphs which follow.

2. *"MARK"*

The definition of a "mark" in section 68(1) of the 1938 Act, as amended, provided:

a "mark" includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, or any combination thereof;

Where the Act referred to a "mark" in the context of services "brand, heading, label, ticket", were excluded.

Thus the 1938 Act did not give an all-encompassing definition of a mark but provided examples of the traditional forms of marks. This is not to say that something not falling within one of the traditional forms specified could not be a mark for the purposes of the Act. It was however required to be of the same nature as were the examples provided by the Act - and in the case of goods something which could be applied or attached thereto.⁷

Section 68(2) provided:

68(2). - References in this Act to the use of a mark shall be construed as references to the use of a printed or other visual representation of the mark, and references therein to the use of a mark in relation to goods shall be construed as references to the use thereof upon, or in physical relation to, goods.

In the context of services section 68(2) provided:

68(2). - References in this Act to the use of a mark shall be construed as references to the use of a printed or other visual representation of the mark, and references therein to the use of a mark in relation to services shall be construed as references to the use of the mark as or as part of any statement about the availability or performance of services.

Having regard to the manner of use of service marks which the Act contemplated it becomes clear that "a brand, heading, label, ticket" - which can only feature in

7. Reform of Trade Marks Law Cm1203 6.

some physical relation to something material - were categories which necessarily had to be eliminated from the definition of a "mark" when it was to serve as a service mark.

Insofar as section 68(2) required use in the nature of a printed or other visual representation of the mark, sounds and smells could not, therefore, serve as marks and were denied registration under the 1938 Act.

Blanco White & Jacob observe in regard to the definition of a mark under the Act:

The definition of "mark" has little more than historical interest. Almost any visual characteristic of goods or of the presentation, of goods or services, that serves the function of a trade or service mark as defined by the Act - that serves to distinguish goods or services which have a particular connection from those which have not - can fairly be described as a "mark". Thus the question whether something is a "mark" rarely arises: it is a "trade mark" or "service mark", or it is not. In only one reported case have the courts rejected something otherwise registrable as not being a "mark" and that was where the shaping of a container was concerned.⁸

For the purposes of this work little will be served by embarking upon an excursus regarding matter which according to the cases satisfied the definition of "a mark" under the Act. The cases discussed briefly below are, however, in need of mention insofar as they provide the clearest indication of the limitations imposed by the Act upon those claiming trade mark rights in the shape of goods, in colours and in containers for goods.

In **James' Trade Mark**⁹ the court had to decide whether the picture of a dome could serve as a distinctive mark under

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8. Blanco White & Jacob *Kerly* 12th ed. 5-6. The case referred to is Coca-Cola Trade Marks [1986] R.P.C. 421 discussed below.
 9. In re James' Trade Mark (1886) 3 R.P.C. 340.

Section 10 of the Trade Marks Registration Act, 1875, in respect of black lead. The dome had been registered formerly as a design and the design registration had since expired. It was argued that as the mark was a pictorial representation of an article on which it was intended to be used it was not a good trade mark despite evidence of distinctiveness in fact.

Lyndley, L.J. in finding the mark distinctive held:

We must be careful to avoid confusion of ideas. I take it that a mark is something distinct from the thing marked. The thing itself cannot be a mark of itself; but here we have got a thing, and we have got a mark on the thing, and the question is whether that mark on the thing is or is not a distinctive mark within the meaning of the Trade Marks Act. Of course, it is obvious to all lawyers that the plaintiffs in this case have no monopoly in black lead of this shape. Anybody may make black lead of this shape, provided they do not mark it as Plaintiffs' black lead. There is no monopoly in the shape, and I cannot help thinking that that has not been quite kept in mind. Now what the Plaintiffs have registered is a brand - a mark like a dome, intended to represent a dome. That that is a distinctive mark, as a matter of fact, is proved by the evidence; and that it can be a distinctive mark is obvious, I think when you look at it.¹⁰

In the **SKF case**¹¹ an applicant for the registration of a trade mark comprising a colour applied to one half of a pharmaceutical capsule and various colours applied to individual pellets within the capsule - which could be seen through the transparent remaining half of the capsule - ultimately obtained registration with the approval of the House of Lords.

The respondents' had opposed the applications on the basis that the colour combinations used and claimed as

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10. See p 344 of the report. The words which I have underlined in the quote are known as Lindley, L.J.'s apothegm. See p 100 *infra*.
 11. Smith, Kline and French Laboratories Limited v Sterling-Winthrop Group Limited [1976] R.P.C. 511.

trade marks represented an attempt to register the external appearance of the goods - which could not be a "mark" and therefore was not registrable as a "trade mark" within the meaning of section 68(1) of the 1938 Act.¹²

Lord Diplock in granting the appellant relief, could find nothing in the Act to exclude from registration a mark which covered the whole of the visible surface of the goods. It was reasoned with reference to section 67(2) of the Act:

So, if it is to be a trade mark, a "mark" must be something that can be represented visually and may be something that can be applied to the surface of the goods ("use upon") or incorporated in the structure of the goods ("use in physical relation to"). The inclusion of "heading" (viz. coloured threads woven into the selvedge of textile goods) in the meaning of "mark" also confirms that a mark, provided that it can be seen upon visual examination of the goods, may be incorporated in their structure.

*My Lords, I see nothing in this context that requires one to exclude from the definition of "trade mark" a mark which covers the whole of the visible surface of the goods to which it is applied.*¹³

Referring to **James's** case **Lord Diplock** held:

*James's case does not, in my view, throw any light upon the question involved in the instant appeal; but even if Lyndley, L.J.'s apothegm were treated as being of general application, the "thing marked" in the instant case is the pharmaceutical substance in pellet form within capsules and the "mark" is the colour applied to one half of the capsule and the various colours applied to the individual pellets within the capsule.*¹⁴

A further ground of appeal that the appellants marks were not distinctive was defeated on the bases that the respondents had conceded that the colour combinations

12. See p 534 of the report.

13. See p 534 of the report.

14. See p 537 of the report.

were *de facto* distinctive of the appellants drugs to a degree where use of the same colour combinations by another drug manufacturer could be restrained through an action for passing off and in a finding that the marks were, in any event, *per se* distinctive in terms of the Act.¹⁵

In dealing *obiter* with examples of marks which could serve as trade marks **Lord Diplock** referred *inter alia* to a "raised moulded pattern round the neck of a bottle containing the manufacturer's product".¹⁶

This example and the reasoning of **Lord Diplock** in the **SKF** case underpinned three applications by the Coca-Cola company for the registration of their unusually shaped bottle as a trade mark in class 32 for non-alcoholic beverages included in that class. The bottle had previously enjoyed protection as a registered design in respect of which the term of protection had since expired.

The Registrar refused to register the marks and **Lord Templeman** upheld the refusal in the House of Lords finding the applications to be "...another attempt to expand the boundaries of intellectual property and to convert a protective law into a source of monopoly.the present attempt is based on the Trade Marks Act 1938."¹⁷

Dealing with the definition of a mark in section 68(1) of the Act **Lord Templeman** stated:

The word "mark" both in its normal meaning and in its statutory definition is apt only to describe something which distinguishes goods rather than the goods themselves. A bottle is a container not a mark.

15. See p 538-539 of the report.

16. See p 536 of the report.

17. Coca-Cola Trade Marks [1986] R.P.C. 421, 456. See also *Goodall & Sons Ltd v John Waddington Ltd* (1928) 41 R.P.C. 668 688.

*The distinction between a mark and the thing which is marked is supported by authority.*¹⁸

The **SKF** case was distinguished on the basis that it related only to the colour of goods and had no application to the goods themselves or to a container for goods.¹⁹

Thus, under the 1938 Act colour applied to a product was regarded registrable as a trade mark and so too a pictorial representation of goods applied as a trade mark in respect of goods. A distinctive container for goods was however not registrable.

3. "TRADE MARK" AND "SERVICE MARK"

A "trade mark" was defined in section 68(1) of the Act which provided:

"trade mark" means, except in relation to a certification trade mark, a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark, whether with or without any indication of the identity of that person, and means, in relation to a certification trade mark, a mark registered or deemed to have been registered under Section Thirty - Seven of this Act;

When applied to services section 68(1) provided:

"service mark" means a mark (including a device, name, signature, word, letter, numeral or any combination thereof) used or proposed to be used in relation to services for the purpose of indicating, or so as to indicate, that a particular person is connected, in the course of business, with the provision of those services, whether with or without any indication of the identity of that person;

18. See p 457 of the report. The authority relied upon was the dictum of Lindley L.J. in James' Trade Mark quoted at p 99 *supra*.

19. See p 458 of the report.

It will be recalled that under the common law adoption and use of the mark by a trader upon his goods created trade mark rights therein. The advent of the first registration Acts did not alter the common law rules that a mark did not become a trade mark until it had been publicly used as such by the proprietor although there was no specific requirement for an applicant to use or intend using the mark applied for. Thus, a tenuous monopoly could, on the face of it, be obtained through registration of a mark without the registrant truly intending to use the mark in trade. The words "proposed to be used" were therefore introduced by the 1905 Act in order to make it clear by way of definition that henceforth only marks already in use or which were earmarked for use qualified for registration.²⁰ At the same time a sanction was introduced: the mark could be removed from the register should the applicant not have had the *bona fide* intention of using it at the time of the application and the mark had not in fact been used subsequently.²¹

Under the 1938 Act the ambit of the phrase "proposed to be used" in the definition of trade marks and service marks never obtained clear circumscription. What is however apparent from the definition is that the use or proposed use contemplated had to connect the goods or services in the course of trade or business, as the case might have been, with the proprietor or a registered user of the mark.²²

The leading case regarding the phrase is the judgment of the Court of Appeal in the **NERIT** case which held the phrase "proposed to use" to mean "intend to use".²³

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- 20. See section 3 of the Trade Marks Act, 1905 and GE Trade Mark [1973] R.P.C. 297 327, 331; See also Sebastian *Trade Marks* 328,329.
 - 21. See section 37 of the 1905 Act; Blanco White & Jacob *Kerly* 12th ed. 7.
 - 22. See Blanco White & Jacob *Kerly* 12th ed. 7 - 9.
 - 23. Imperial Group Ltd. v Philip Morris & Co. Ltd. 1982 [F S R] 72 (C.A.).

In that case the appellants had registered the trade mark **NERIT** as a ghost-mark for **MERIT** which was unregistrable. It was held that the absence of a *bona fide* intention to use the mark **NERIT** prevented it from being a trade mark within the meaning of the Act. It had been previously said by **Lord Hanworth, M.R.** in **Ducker's** case regarding the phrase in the 1905 Act:

*I think that the words "proposed to be used" mean a real intention to use, not a mere problematical intention, not an uncertain or indeterminate possibility, but a resolve or settled purpose which has been reached at the time when the mark is to be registered.*²⁴

This led **Brightman, L.J.** to state in the **NERIT** case that:

*The words "propose" and "intend", are, in my opinion sometimes interchangeable and sometimes different in meaning. "Proposed to use" can in a suitable context mean the same as "intend to use". "Proposed" can alternatively mean "propose for consideration", as distinct from a settled purpose. In the Ducker case this court saw no distinction in content between the verb "propose" in the predecessor to Section 68 and the noun "intention" in the predecessor to Section 26. I see no reason to quarrel with that approach, even if I were entitled to do so.*²⁵

Thus, the Court of Appeal held that the phrase "propose to use" in section 68 had the same meaning as the phrase "intention to use" in section 26 of the 1938 Act which provided for removal of marks from the register on the grounds of no *bona fide* intention to use or non-use.

Lord Brightman found that the use contemplated by the appellant was "an uncertain and indeterminate possibility" and not a "definite intention to deal" or "a real intention to use" or an intention to use with "resolve or settle purpose" - following **Ducker's** case - concurring with **Lawton, L.J.** who required the use

24. Re **Ducker's** Trade Marks [1929] 1 Ch. 113 116.

25. See p 87 of the report.

intended to be use in the ordinary course of business and real use in a commercial sense.²⁶

Shaw, L.J. went further, requiring that the appellant should have the intention of using the mark **NERIT** to develop a goodwill arising from the connection of the use of that word in the business of the appellant. An intention to deprive others from using the word **MERIT** in the trade would not found a claim to reputation.²⁷

Turning to the words "use in relation to goods", alternatively, "use in relation to services" it needs be noted that "in relation to" was a phrase introduced to the 1938 Act to overcome rulings by the Registrar under the 1905 Act which used the phrase "in connection with". The Registrar had ruled that use of a trade mark in advertisements was not use thereof as a trade mark "in connection with" goods - even though in the context of infringement, claims of infringement had succeeded where the sole infringing use had been use in advertisements.²⁸

The definition of a trade mark and a service mark required there to be a connection in the course of trade (in the case of a trade mark) and a connection in the course of business (in the case of a service mark) between the goods (and in regard to a service, the service) and a person entitled to use the mark. Thus, the mark was required to indicate the source of the goods or services (as the case may be) - albeit not in the sense that the actual source thereof must be known. The consumer was merely required to recognise that the goods or services bearing or featuring the mark emanated from the same source.²⁹

26. See p 88 of the report.

27. See p 81 of the report.

28. Blanco White & Jacob *Kerly* 12th ed. 10. The authors state at footnote 18: "Where service marks are concerned, the use has to be part of a "statement about the availability or performance of services," which can hardly fail to be essentially some sort of advertisement".

29. See Annand 271.

It must be borne in mind that a distinction was drawn between goods and services in this context in that the provision of services with which a trade connection was required had to be performed for money or moneys worth.³⁰

There was no corresponding requirement under the Act or at common law for goods supplied under a mark to be supplied for money.³¹

So called "retail services" comprising the provision of advice to customers, a selection of goods, a congenial atmosphere in which to shop, car-parking, and check-out and credit facilities not itemised separately on customers bills were held to be not for "money or moneys worth" and too indefinite to be afforded service mark registration.³²

A connection in the course of business - required of service marks by the definition - was different to the goods mark concept of a "connection in the course of trade", according to **Blanco White & Jacob**.³³ If the service itself was paid for the connection test was satisfied.³⁴

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30. Section 68(1) provides: "provision" in relation to services means their provision for money or money's worth.
31. Visa Trade Mark [1985] R.P.C. 323 (which followed the Irish case of Golden Pages Trade Mark [1985] F.S.R. 27 which was to the same effect). See p 329 - 31 of the report of the Visa case. See also *Aristoc v Rysta* (1945) R.P.C. 65.
32. Dee Corporation's Application [1989] F.S.R. 297; See Annand 272 and Cornish *Intellectual Property* 440.
33. Blanco White & Jacob *Kerly* 12th ed. 14.
34. Blanco White & Jacob *Kerly* 12th ed. 18.

Reverting to goods, the required connection could be found in diverse conduct in relation to the goods such as manufacture, production, preparation for the market place, the selection and offering for sale, dealing in the sense of controlling the placement of goods on the market, certification, and the like.

Proprietors who retained the right of control over the manufacture, or who ensured adherence to quality and standards, specifications of manufacture, market salesman, dyers, finishers, converters of goods, suppliers of materials who controlled quantity or controlled use of materials could all satisfy the definition.³⁵

4. *DISTINCTIVENESS*

As already observed the register was divided into two parts - Part A and Part B - from the time of the 1919 Act.³⁶

An applicant, having satisfied the requirements of the Act regarding the definitions therein stated of "mark" and "trade mark" or "service mark" had to show that his mark was sufficiently distinctive for Part A registration or possessed the capability of becoming so distinctive for Part B registration.

A mark could not be placed in Part A of the register unless it complied with the restrictive terms of section 9 of the Act.³⁷

Section 9 provided:

9 Distinctiveness requisite for registration in Part A

(1) In order for a trade mark (other than a certification trade mark) to

35. Blanco White & Jacob Kerly 12th ed. 15 - 18. See also sections 62 and 63.

36. See section 1(1) of the 1919 Act.

37. See Blanco White & Jacob Kerly 12th ed. 74.

be registrable in Part A of the register, it must contain or consist of at least one of the following essential particulars:-

- (a) the name of a company, individual, or firm represented in a special or particular manner;*
 - (b) The signature of the applicant for registration or some predecessor in his business;*
 - (c) an invented word or invented words;*
 - (d) a word or words having no direct reference to the character or quality of the goods, and not being according to its ordinary signification a geographical name or a surname;*
 - (e) any other distinctive mark, but a name, signature, or word or words, other than such as fall within the descriptions in the foregoing paragraphs (a), (b), (c) and (d), shall not be registrable under the provisions of this paragraph except upon evidence of its distinctiveness.*
- (2) For the purposes of this section "distinctive" means adapted, in relation to the goods in respect of which a trade mark is registered or proposed to be registered, to distinguish goods with which the proprietor of the trade mark is or may be connected in the course of trade from goods in the case of which no such connection subsists, either generally or, where the trade mark is registered or proposed to be registered subject to limitations, in relation to use within the extent of the registration.*
- (3) In determining whether a trade mark is adapted to distinguish as aforesaid the tribunal may have regard to the extent to which -*
- (a) the trade mark is inherently adapted to distinguish as aforesaid; and*
 - (b) by reason of the use of the trade mark or of any other circumstances, the trade mark is in fact adapted to distinguish as aforesaid.*

Regarding service marks section 9 provided:

9 Distinctiveness requisite for registration in Part A

(1) *In order for a service mark to be registrable in Part A of the register, it must contain or consist of at least one of the following essential particulars:-*

- (a) *the name of a company, individual, or firm, represented in a special or particular manner;*
- (b) *the signature of the applicant for registration or some predecessor in his business;*
- (c) *an invented word or invented words;*
- (d) *a word or words having no direct reference to the character or quality of the services, and not being according to its ordinary signification a geographical name or a surname;*
- (e) *any other distinctive mark, but a name, signature, or word or words, other than such as fall within the descriptions in the foregoing paragraphs (a), (b), (c) and (d), shall not be registrable under the provisions of this paragraph except upon evidence of its distinctiveness.*

(2) *For the purposes of this section "distinctive" means adapted, in relation to the services in respect of which a service mark is registered or proposed to be registered, to distinguishing services with the provision of which the proprietor is or may be connected, in the course of business, from the services with the provision of which he is not so connected either generally or, where the service mark is registered or proposed to be registered subject to limitations, in relation to use within the extent of the registration.*

(3) *In determining whether a service mark is adapted to distinguish as aforesaid the tribunal may have regard to the extent to which -*

- (a) *the service mark is inherently adapted to distinguish as aforesaid; and*

- (b) *by reason of the use of the service mark or of any other circumstances, the service mark is in fact adapted to distinguish as aforesaid.*

Section 9 was structured as follows: there were five categories of "essential particulars" defined in sub-section 9(1) - the categories (a) to (d) inclusive defining certain types of words of which a word-based mark must comprise and (e) comprising a category of "other distinctive" marks not falling within one of the word-based mark categories [(a) - (d)]. In determining which marks qualified for category (e) regard was to be had to sub-sections 9(2) and 9(3) which provided the definition of distinctiveness and elements which could be referred to in determining whether a mark was distinctive or not.

Categories (a) - (d) were enacted by the registration Acts prior to the 1905 Act which then added the umbrella provision "any other distinctive mark."³⁸

The essential particulars comprised separate and distinct divisions and if a trade mark qualified under one or more of the headings it was registrable under section 9 provided it was also distinctive.³⁹

The legislature assumed those particulars in categories (a) to (d) to be distinctive. Marks of this kind were not distinctive by virtue of their qualification for one of the categories but qualified for inclusion therein because of their distinctiveness. Thus, a non-distinctive mark could not qualify for inclusion in any of the categories (a) to (d).⁴⁰

38. See p 59-60 *supra* and the discussion of the old registration Acts generally at p 44 - 58 *supra*.

39. Blanco White & Jacob *Kerly* 12th ed. 74.

40. See *Fanfold Ltd.'s Applications* (1928) R.P.C. 325 332 - 334. *Standard Camera Ltd.'s Application* (1952) 69 R.P.C. 125 129.

4.1 Names and Signatures [Categories (a) - (b)]

Category (a) words had to appear in a special or particular manner to distinguish the mark concerned from names of persons honestly using their own name in the relevant trade.⁴¹ The special and particular manner of representing the mark afforded it the power of distinguishing and so rendered it distinctive⁴² whilst a signature being in itself unique to the signatory was as such distinctive *per se*. Thus a name printed or represented in ordinary type or ordinary writing was excluded from categories (a) and (b).⁴³

4.2 Invented Words [Category (b)]

As far as invented words were concerned it is of note that **Solio** remained the leading case.⁴⁴

An apt description of what the Courts regarded an invented word to be is provided by the following dictum of **Parker J** in a matter decided under the 1905 Act⁴⁵ :

To be an invented word, within the meaning of the Act, a word must not only be newly coined, in the sense of not being already current in the English language, but must be such as not to convey any meaning, or at any rate, any obvious meaning to ordinary Englishmen. It must be a word having no meaning or no obvious meaning until one has been assigned to it. I use the expression "obvious meaning" and referred to "ordinary Englishmen" because to prevent a newly coined word from being an invented word, it is not enough that it might suggest some meaning to a few scholars. Further, while on the one hand the fact that a word may be found in the vocabulary of a foreign language does not, in itself, preclude it from being an invented word, so on the other hand a

41. Blanco White & Jacob *Kerly* 12th ed. 77.

42. Fanfold Ltd.'s Application (1928) R.P.C. 325.

43. Blanco White & Jacob *Kerly* 12th ed. 78.

44. Eastman Photographic Co.'s Appn. [1898] A.C. 571, R.P.C. 707. See the discussion of this case at p56 *supra*.

45. *Phillepart v William Whiteley Ltd.* (1908) 25 R.P.C. 565 569.

foreign word is not an invented word merely because it is not current in the English tongue.

The standard of invention required was however never clearly defined.⁴⁶

4.3 Category (d) Marks

Category (d) marks comprised words which needed to avoid two pitfalls ie they were to have no direct reference to the character or quality of the goods or services concerned and had not to be, according to ordinary signification, a geographical name or surname.

No principles or definitive practices ever developed in relation to which marks could be regarded as having a tainted reference to character or quality despite that the category was introduced by the 1888 Act.⁴⁷

As **Blanco White & Jacob** put it:

*.... almost every immediately attractive trade mark is, in some sense, descriptive or laudatory of the goods and so in some degree has reference to their character or quality. The difficulty is to decide whether that reference is a direct reference: one that seriously affects the word's capacity for distinguishing goods from a particular source, as distinct from the sort of reference that can be found only as an academic exercise. This is at best a somewhat metaphorical question and one depending ultimately upon the reaction of the public to the chosen word. In these circumstances, the Registrar, who has a duty to maintain the purity of the register, may well incline to rely upon possibilities of interpretation of a mark which later experience may show to be fanciful. Sometimes, he can be persuaded by argument; but in general, the applicant's proper course is to apply again when the mark has been tested by use.*⁴⁸

46. Blanco White & Jacob *Kerly* 12th ed. 80 - 88.

47. See p 50 *supra*.

48. Blanco White & Jacob *Kerly* 12th ed. 88.

Essentially, therefore, and subject to appeal to the Court, the Registrar's discretion determined the matter with reference to his view as to whether registration would hamper other traders from using the word or words alluded to by the "invented" word, fairly and honestly in the trade.⁴⁹

4.3.1 *Geographical Names*

By the same method words which were in their ordinary signification geographical names were denied registration in the interests of rival traders:

*Commercially valuable associations between a place and type of goods are not infrequently built up by use of the place name. The association may derive from the physical conditions for production of raw material (e.g. wine grapes) or for carrying out a manufacturing process (e.g. Roquefort Cheese) or from an established tradition of local craftsmanship. The appellations of origin and indications of source are commonly used by a number of independent traders in the region. One purpose of the rule presently under discussion is to prevent any one of them securing a vital advantage over the others.*⁵⁰

The test was an objective one i.e. that of normal signification. Where the geographical name was obscure and not linked to the goods the word was open to a finding that its ordinary signification was not that of a geographical name.⁵¹ The English courts were however conservative in this regard accepting, at most, the interpretation provided by the **Magnolia** case⁵² decided under the 1888 Act.

In the **Magnolia** case the evidence had shown that there were places in the United States named Magnolia.

49. See Cornish *Intellectual Property* 444.

50. Per Cornish *Intellectual Property* 445.

51. See Blanco White & Jacob Kerly 12th ed. 93; Cornish *Intellectual Property* 446.

52. **Magnolia Metal's T.M.** [1897] 14 R.P.C. 621.

The court held, however, that "geographical name" was not equivalent to the name of any place - a word did not become a geographical name simply because some place upon the earth's surface had been called by it. Yet, even where the primary signification of the word was not geographical, it could still be a geographical name within the meaning of the Act if the name was chosen as a trade mark because the goods concerned were connected with its locality - despite that the locality concerned was little known.

It must be recalled that the 1888 Act under which the *Magnolia* case was decided excluded any geographical name and that the qualification of "ordinary signification" was introduced by the 1905 Act.

The registry practice in the United Kingdom relating to geographical marks was interesting. It is stated thus by **Blanco White & Jacob**:

*The Registry practice on this point is relatively simple. If a word sought to be registered in part A is recognised as a place name, an objection will be taken under Section 9(1) unless the use of that name is obviously fanciful. The mark may still be registrable on evidence of distinctiveness; see below the discussion of Section 9(1)(e) - or it would seem, on evidence that in relation to the goods concerned its use is clearly fanciful. Or, if the geographical reference is unlikely to cause any confusion, the mark may be accepted in part B. Thus the important question under this head is less often "Is this mark a geographical name?" than "how strong must the evidence of distinctiveness be, to render this mark registrable?" However, since York, the practice has tightened somewhat - most geographical names are, as trade marks, refused.*⁵³

And regarding service marks:

Where service marks are concerned, the position will in many cases be rather different, since many service trades are inherently local. Thus foreign place names are expected to be relatively freely accepted for

*registration for services without international character: and even a United Kingdom place name may be acceptable in part B, as a new mark, if the registration is geographically limited to put the place concerned far enough away. Thus the evidence needed to establish distinctiveness may well be much less for a service mark.*⁵⁴

In the **York** case⁵⁵ the House of Lords considered a refusal by the Registry to waive disclaimer of the word YORK in a Part B acceptance of a mark comprising the word YORK in block capital letters in a rectangular device which also featured a leaf within the letter "O". Evidence showed that the applicant's mark was in fact distinctive of its goods. The Registrar's decision was essentially based upon the ground that the applicant was not to be allowed a monopoly in the name of an important city - York - in connection with its goods.⁵⁶

In a stern judgment **Lord Wilberforce** confirmed the strong line of authority holding that even though the 1905 Act had changed the position in that geographical names were no longer absolutely excluded from registration and each individual case was thereafter to be afforded judicial examination on the merits, the rule was that no matter how distinctive such a mark might be in fact it had to be capable of distinguishing in law. Applying the **Liverpool Cables**⁵⁷ and **Yorkshire**⁵⁸ cases **Lord Wilberforce** held that the applicants for registration were not entitled to claim as their own to the detriment of other traders a geographical name which was or might at some time in the future be the place of manufacture of goods similar to their own.⁵⁹

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- 54. Blanco White & Jacob *Kerly* 12th ed. 107.
 - 55. York Trade Mark [1984] R.P.C. 231.
 - 56. See p 251 of the report.
 - 57. Liverpool Electric Cable Co. Ltd.'s Application (1929) 46 R.P.C. 99.
 - 58. Yorkshire Copper Works Ltd.'s Application [1953] 71 R.P.C. 150.
 - 59. See p 254 - 255 of the report.

4.3.2 Surnames

As was the case with geographical names, surnames were absolutely denied registration under the 1888 Act. The 1905 Act introduced the "ordinary signification" qualification to registration of surnames also taken up in the 1938 Act.

The disqualification extended to foreign surnames but, following the **Ciba** case, the registry followed a *de minimis* rule.⁶⁰

In **Ciba** the approach of the registry to surname applications at the time was revealed to be the following:

- a) where the mark concerned had no signification other than a surname the application was refused Part A registration although Part B registration could be considered;
- b) where the mark applied for was a rare surname which had a dominating secondary meaning in itself, as well, Part A registration would be granted as the ordinary signification of the word was not a surname;
- c) where the surname was less rare and featured a secondary meaning, as well, the registry would grant Part B acceptance of the application without evidence of distinctiveness.⁶¹

Ciba was found to be a very rare German surname which was featured, according to the evidence, once in the Berlin and once in the Hamburg telephone directories. Without providing guidance of a general kind it was held by **Whitford J** that the word **Ciba** fell well outside any possibility of being regarded a surname in its ordinary signification as contemplated by the Act.⁶²

60. Ciba Trade Mark [1983] R.P.C. 75.

61. See p 81 - 82 of the report.

62. See p 82 of the report.

Pursuant to this judgment the Registry published the following policy by way of a footnote to the report of the case:

....., the practice regarding the treatment of applications to register rare surnames as new, i.e. unused marks, has been reviewed.

In future, words which have no signification other than as surnames, in the sense that they are to be found in telephone directories, will be allowed prima facie in part A of the Register if they occur not more than twice in an appropriate U.K. directory (usually the London telephone directory) and not more than 5 times in an appropriate foreign directory. The principal reason for this change in practice is that although such words might convey a surnominal significance to some people in this country and so cannot be regarded as invented word, the number of such people is likely to be so small as to be disregarded as being de minimis.

*If the application is for part B of the register the limits of 2 and 5 will be replaced by 5 and 10 respectively.*⁶³

Finally, in order to establish the outer limits of the registration of surnames as trade marks under earlier legislation it is to be noted that there are no judicial pronouncements indicating that a surname could be regarded so common as to be absolutely incapable of registration under the 1938 Act.⁶⁴

4.4 Other Distinctive Marks

The final category of marks which qualified for Part A registration under section 9 were the "other distinctive marks" of section 9(1)(e).

This category constituted a general class under which a large proportion of trade marks were registered. There are two sub-classifications, namely those essentially word marks which would offend paragraphs (a), (b), (c) or

63. P 86 of the report.

64. Cornish *Intellectual Property* 447.

(d) but which nevertheless had become distinctive of the applicant's goods, and other marks such as devices, device combinations or device and word combinations.⁶⁵

In determining whether marks in the foregoing categories were distinctive it was necessary to have regard to sections 9(2) and (3) of the Act.

In deriving the essential principles to be applied to those sections from case law it is to be noted that although the definition of "distinctive" in section 9(5) of the 1905 Act⁶⁶ differed from the definition thereof in the 1938 Act, the change brought about by the latter Act did not occasion a change in the principles applied by the Registrar and by the courts in determining questions of distinctiveness thereafter.⁶⁷

It is to be noted regarding the first sub-category of section 9(1)(e) i.e. names, signatures, a word or words not falling in categories (a) - (d), that in the event of their being registered without evidence of distinctiveness they were liable to removal from the register as wrongly registered unless protected by the

65. *Moses Trade Marks Practice* 25.

66. The relevant clause in section 9 of the 1905 Act provided:

"For the purposes of this section "distinctive" shall mean adapted to distinguish the goods of the proprietor of the trade mark from those of other persons.

In determining whether a trade mark is so adapted, the tribunal may, in the case of a trade mark in actual use, take into consideration the extent to which such user has rendered such trade mark in fact distinctive for the goods with respect to which it is registered or proposed to be registered."

67. *Blanco White & Jacob Kerly* 12th ed. 97; *Bray and Underhay 1938 Act* 15. The changes in the 1938 Act were occasioned by the definition of a trade mark in section 68: *Blanco White & Jacob Kerly* 12th ed. 98 - 99.

seven-year clause provided for in section 13.⁶⁸

The date for assessing the distinctiveness required to obtain registration under section 9(1)(e) was the date of the application although subsequent events were not disregarded.⁶⁹

In determining whether a mark was adapted to distinguish under section 9(2) the Tribunal had to have regard to the mandatory guidelines set out in section 9(3). The guidelines provided in sub-section 9(3)(a) and (b) were not inter-dependent: both had to be considered independently. Thus, if a mark was not inherently adapted to distinguish *per se* in terms of sub-section 3(a) reliance upon sub-section 3(b) could counter-balance this and lead to registration on the basis that the mark was adapted to distinguish *de facto*. Where, however, the mark was completely devoid of any feature visiting it with adaptability to distinguish no amount of *de facto* distinctiveness acquired through use would render it distinctive in terms of section 9 and the mark was denied registration.⁷⁰

68. See Blanco White & Jacob *Kerly* 12th ed. 97; Bray and Underhay *1938 Act* 14; Section 13 provided:

"13 Registration in Part A to be conclusive as to validity after seven years.

(1) In all legal proceedings relating to a trade mark registered in Part A of the register (including applications under section thirty-two of this Act) the original registration in Part A of the register of the trade mark shall, after the expiration of seven years from the date of that registration, be taken to be valid in all respects, unless -

(a) that registration was obtained by fraud, or

(b) the trade mark offends against the provisions of section eleven of this Act.

(2) Nothing in subsection (1) of section five of this Act shall be construed as making applicable to a trade mark, as being a trade mark registered in Part B of the register, the foregoing provisions of this section relating to a trade mark registered in Part A of the register".

"Service Mark" replaced "Trade Mark" insofar as the Act applied to service marks.

69. Blanco White & Jacob *Kerly* 12th ed. 98; Bray and Underhay *1938 Act* 15.

70. See Blanco White & Jacob *Kerly* 12th ed. 99.

Inherently adapted to distinguish indicated that something within the mark itself provided it with the necessary means of being able to distinguish goods or services as contemplated by section 9.

If the mark was not sufficiently distinctive in itself to justify registration, evidence of its *de facto* distinctiveness was required in order to show that it was adapted to distinguish in fact.

Thus, a mark could be innately distinctive or it could acquire distinctiveness through use or by other means.

The distinctiveness requirements of section 9 of the 1905 Act were explained by **Lord Moulton** as follows⁷¹:

If the Tribunal is of opinion that the nature of the word is such that it is adapted to distinguish those particular goods of the trader from those of other persons it will be its duty - in the absence of special circumstances - to allow the registration to proceed. But the applicant is not confined to arguments drawn from the word itself. He may support his application, in the case of a mark already in use, by showing that by use the mark has, in fact, become more or less completely identified with the goods by having been continuously used in connection therewith and the Statute expressly provides that the Court may take this into consideration for the purposes of its decision. To my mind this provision can bear but one interpretation. It recognised that distinctiveness - that is, being adapted to distinguish the goods from those of other traders - is not necessarily an innate quality of the word. It may be acquired.

A universally accepted test for discounting an applicant's claim to distinctiveness is provided by **Parker J.** in the **W. & G.** case.⁷²

The applicant for registration in effect says, "I intend to use this mark as a Trade Mark, i.e. for the purpose of distinguishing my goods from the goods of other persons", and the Registrar or the Court has to determine,

71. Joseph Crosfield & Sons Ltd.'s Application (1909) R.P.C. 837 858.

72. W & G. Du Cros Ltd.'s Application (1913) 30 R.P.C. 660 672.

before the mark be admitted to registration, whether it is of such a kind that the applicant, quite apart from the effect of registration, is likely or unlikely to attain the object he has in view. The applicants' chance of success in this respect must, I think, largely depend upon whether other traders are likely, in the ordinary course of their business and without any improper motive, to desire to use the same mark, or some mark nearly resembling it, upon or in connection with their own goods. It is apparent from the history of Trade Marks in this country that both the Legislature and the Courts have always shown a natural disinclination to allow any person to obtain by registration under the Trade Marks Act a monopoly in what other may legitimately desire to use.

An apt observation regarding the question of distinctiveness is provided by **Narayanan** dealing with section 9(5) of the Trade and Merchandise Marks Act 1958, to some degree the Indian equivalent of section 9(3) of the 1938 Act:

The question whether a trade mark is distinctive or not is a practical one and a question that can only be settled by considering the whole of the circumstances of the case. The words "may have regard" in Section 9(5) show that the factors referred to therein under clauses "a" and "b" are neither exhaustive nor conclusive. The word "extend" shows that there are degrees of distinctiveness. It is clear therefore that a wide discretion is vested in the Tribunal in deciding whether a mark is adapted to distinguish within the meaning of the section. It may be observed that the question whether a mark is adapted to distinguish or not is a question of fact, or, to be more accurate, a question of opinion to be formed upon facts. The facts to be considered include those inherent in the mark itself and those resulting from its use as a trade mark. If there is any factor other than those mentioned in Section 9(5), it would be the right and duty of the Registrar to take that also into consideration.⁷³

4.5 Qualification for Part B

Section 10 of the Act provided the following in relation

73. Narayanan Trade Marks 98 - 99.

to trade marks intended for registration in Part B of the Register:

10 Capability of distinguishing requisite for registration in Part B

(1) In order for a trade mark to be registrable in Part B of the register it must be capable, in relation to the goods in respect of which it is registered or proposed to be registered, of distinguishing goods with which the proprietor of the trade mark is or may be connected in the course of trade from goods in the case of which no such connection subsists, either generally or, where the trade mark is registered or proposed to be registered subject to limitations, in relation to use within the extent of the registration.

(2) In determining whether a trade mark is capable of distinguishing as aforesaid the tribunal may have regard to the extent to which-

- (a) the trade mark is inherently capable of distinguishing as aforesaid; and*
- (b) by reason of the use of the trade mark or of any other circumstances, the trade mark is in fact capable of distinguishing as aforesaid.*

(3) A trade mark may be registered in Part B notwithstanding any registration in Part A in the name of the same proprietor of the same trade mark or any part or parts thereof.

In relation to service marks the Act provides:

10 Capability of distinguishing requisite for registration in Part B

(1) In order for a service mark to be registrable in Part B of the register it must be capable, in relation to the services in respect of which it is registered or proposed to be registered, of distinguishing services with the provision of which the proprietor is or may be connected in the course of business from services with the provision of which he is not so connected either generally or, where the service mark is registered or proposed to be registered subject to limitations, in relation to use within the extent of the registration.

(2) *In determining whether a service mark is capable of distinguishing as aforesaid the tribunal may have regard to the extent to which -*

(a) *the service mark is inherently capable of distinguishing as aforesaid; and*

(b) *by reason of the use of the service mark or of any other circumstances, the service mark is in fact capable of distinguishing as aforesaid.*

(3) *A service mark may be registered in Part B notwithstanding any registration in Part A in the name of the same proprietor of the same service mark or any part or parts thereof.*

There are no essential particulars and categories of marks equivalent to those set out in section 9.

Essentially, the only requirement for registrability of a mark in Part B was that it should be "capable of distinguishing" goods or services, connected in the course of trade or business (as the case may be) from those of others. Similarly to when adaptability to distinguish was being considered in the context of section 9, regard could be had to inherent and actual capability when considering whether a mark possessed that property which rendered it "capable of distinguishing".

Clearly "capable of distinguishing" is wider than "adapted to distinguish". Nevertheless "inherently capable of distinguishing" required something inherent in the mark itself apart from mere user which made it capable of distinguishing particular goods or services. Whether a mark could in fact be "capable of distinguishing" was a matter of proof based on evidence of use of the mark.⁷⁴

No precise line of demarcation between the concepts

74. Moses *Trade Marks Practice* 29; See also *Weldmesh TM* [1966] R.P.C. 220 227.

"adapted to distinguish" and "capable of distinguishing" was ever determined by the courts or laid down in practice - as an investigation of the sources will reveal. All that is certain is that the registrability requirements of section 10 were less stringent than those of section 9.

The absence of absolute criteria valid when considering either section are also clearly a consequence of the role played by the exercise of the Registrar's discretion in the application thereof. In regard to Part B marks particularly a practice evolved around guidelines as to how the Registrar would exercise his discretion when considering applications.

In practice applications for registration of trade or service marks were first considered for registration in Part A under section 9 - Part B applications *de novo* being rare.

Registration in Part B for the most part occurred where border-line cases for registration in Part A failed to qualify for Part A registration at the instance of the Registry in the exercise of the Registrar's discretion. The Registry would consider, in respect of unused marks, whether they were inherently distinctive as contemplated by section 9 and where evidence of distinctiveness had been lodged, whether the evidence established a sufficient degree of distinctiveness for Part A acceptance to be granted. On the lower end of the scale there was a tendency to accept marks for Part B registration which were clearly not registrable in Part A of the register and which were essentially border-line cases for registrability.⁷⁵

Section 10 of the 1938 Act, differs in two substantial respects from the corresponding section under the Act of

75. Blanco White & Jacob Kerly 12th ed. 131; See also Cornish *Intellectual Property* 448.

1919, section 2. Firstly, under the 1919 Act, *bona fide* use of a trade mark for two years prior to the date of the application was a condition precedent to Part B registration.

The 1938 Act omitted this distinction. Secondly, in the event of the condition precedent being fulfilled and the mark not offending against any other provision of the Act, the Registrar was directed to register the mark in Part B. This direction to register was omitted from the 1938 Act, as well.

When considering Part B applications under the 1938 Act there was a discretion as with Part A applications which required determination upon the exercise of similar principles i.e. whether the mark was inherently capable of distinguishing goods or services or whether by reason of use or other circumstances the mark was, in fact, capable of distinguishing.

It must also be borne in mind that names, signatures or words which did not satisfy the requirements of section 9(1) (a) - (d) could only obtain registration in Part A upon satisfactory evidence of distinctiveness being adduced. In the case of Part B, however, such marks could be accepted in the exercise of the Registrar's discretion without evidence having to be adduced.

Finally, regard must be had to the following passage from **Blanco White & Jacob** regarding a further difference between the parts:

Whilst the question of capacity to distinguish must of course be decided as of the date of the application for registration, it should be borne in mind that evidence of subsequent events may be particularly relevant to a part B application: for if a mark has between application and decision become distinctive (even to particular groups of people or in particular

places) it must at the date of application been capable of doing so.⁷⁶

5. REMAINING DISQUALIFICATIONS

An applicant who reached the stage where his trade or service mark qualified as such under the definitions of mark and trade or service mark in terms of the Act and who satisfied the distinctiveness requirements for either Part A or Part B registration thereunder could anticipate that his mark would proceed to registration: provided it was not deceptive in the sense that, at the date of application, it was identical or closely similar to that of another party or was deceptive in some other way in that it created a misleading impression about the nature of the goods or services which it was intended to distinguish.⁷⁷ This brings us to a consideration of sections 11 and 12 of the Act.

5.1 Marks offending section 11

Section 11 of the 1938 Act, as amended, provided:

11 Prohibition of registration of deceptive, etc., matter

It shall not be lawful to register as a trade mark or part of a trade mark any matter the use of which would, by reason of its being likely to deceive or cause confusion or otherwise, be disentitled to protection in a court of justice, or would be contrary to law or morality, or any scandalous design.

The provision applied to service marks with no special modifications. "Service mark" merely replaced "trade mark" in the text.

The provision has a long history having its origin in the common law prior to the 1875 Act. According to **Blanco**

76. The foregoing discussion is derived from Blanco White & Jacob Kerly 12th ed. 128 - 129 where the quotation appears at p 129 and Moses *Trade Marks Practice* 28 - 29.

77. See Cornish *Intellectual Property* 448 - 449.

White & Jacob the "protection" referred to was that afforded a distinctive mark at common law which had been adopted by a trader and used (regardless of recognition by the public).⁷⁸ The provision was first enacted in 1875.⁷⁹

Reference to a "court of justice" in the 1883 Act replaced reference to "a court of equity" in the 1875 Act - resulting from the procedural changes brought about by the Judicature Acts of 1873 and 1875. The 1883 Act featured a change in drafting style whilst "words" was replaced by "matter" in the 1905 and 1938 Acts. Then, the words "as a trade mark or part of a trade mark" replaced the words "as part of or in combination with a trade mark" under of the 1905 Act which omitted all provision for registering additions to trade marks.

The 1905 Act included "or would be contrary to law or morality" whilst the 1938 Act added "or cause confusion". The word "likely" replaced the word "calculated" in the 1938 Act.⁸⁰ The cumulative effect of all these changes over the years was to widen the scope of the provision.

It is to be noted that the section was not intended to benefit traders alone but also the public at large.⁸¹

78. See Blanco White & Jacob *Kerly* 12th ed. 165 - 166. But see GE Trade Mark [1973] R.P.C. 297 at 325 - 326.

79. The relevant part of section 6 of the 1875 Act provided: "It shall not be lawful to register as part of or in combination with a trade mark any words the exclusive use of which would not, by reason of there being calculated to deceive or otherwise, be deemed entitled to protection in a court of equity; or any scandalous designs".

Section 73 of the 1883 Act provided: "It shall not be lawful to register as part of or in combination with a trade mark any words the exclusive use of which would, by reason of there being calculated to deceive or otherwise, be deemed disentitled to protection in a Court of Justice, or any scandalous design".

Section 11 of the 1905 Act provided: "It shall not be lawful to register as a trade mark or part of a trade mark any matter, the use of which would by reason of its being calculated to deceive or otherwise be disentitled to protection in a court of justice, or would be contrary to law or morality, or any scandalous design".

80. See Reid *Trade Marks* 29 - 30; Lloyd and Bray *Kerly* 7th ed. 237 footnote 7.

81. See Blanco White & Jacob *Kerly* 12th ed. 165.

In a broad sense section 11 and its predecessors comprised a general provision under which registration could be refused for sound reasons. Thus, if a mark was objectionable under another section it offended also section 11 in the broad sense that the other sections were part of the "law" the contravention of which section 11 eschewed as being "contrary to law".⁸²

Those aspects of the section "contrary to law or morality" and "any scandalous design" were never relied upon to a significant degree.⁸³

Objections under the section were of two main types:

1. where there was some vice in the mark itself;
2. where there was some improper manner of use or dealing in the mark involved.⁸⁴

A number of categories of deception covered by the provision are discernible such as deception or confusion
-⁸⁵

- a) concerning the quality of the product or service;⁸⁶
- b) giving rise to a public danger;⁸⁷
- c) concerning geographical origin;⁸⁸
- d) concerning the form of trade connection;⁸⁹
- e) concerning spurious suggestions of approval or association;⁹⁰

82. Reid *Trade Marks* 29.

83. Reid *Trade Marks* 3. See for example Hallelujah Trade Mark [1976] R.P.C. 605.

84. Reid *Trade Marks* 29 - 32.

85. Cornish *Intellectual Property* 454 - 456.

86. Seligmann's Application (1954) 7 R.P.C. 52.

87. Levi Thomas Edward's Application (1946) 63 R.P.C. 19.

88. See for example Wee Mc Glen Trade Mark (1980) R.P.C. 115.

89. Aristoc v Rysta (1945) 62 R.P.C. 65.

90. Vitasafe T.M. (1963) R.P.C. 250; Golden Jet T.M. (1979) R.P.C. 19.

- f) concerning spurious statements about legal rights, for example by using the words "patent", "copyright" or other words asserting rights which the applicant did not have or could not enforce;⁹¹
- g) concerning other marks on the register. Here section 11 would avail in most cases where a confusingly similar mark could not be relied upon under section 12(1) because the goods or services of the application were not considered to be of the same description to the goods or services covered by the registered mark.⁹²

Section 11 would also come into play in circumstances where the deception or confusion arose or was likely to arise through prior use of an unregistered mark. It was not necessary that the prior use be upon the same goods for which registration was sought or for goods of the same description. It was in this regard also not necessary to show that the prior use had vested in the prior user such a reputation in the mark that use of the mark proposed to be registered would be a passing off *vis-a-vis* the unregistered mark. Where a real tangible danger of confusion as to the source of the marks in the minds of a number of persons was present the application was to be refused.⁹³

The test for deception contemplated by the provision did not visit every form of deception offensive to the section. The section only provided a sanction where the risk of confusion or deception would disentitle the applicant from protection in a court of justice.⁹⁴

The section was mandatory and not discretionary in its operation. As stated by **Morton J** in the **Black Magic** case⁹⁵:

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- 91. Cornish *Intellectual Property* 456; Blanco White & Jacob *Kerly* 12th ed. 171.
 - 92. Levi Thomas Edward's Application (1946) 63 R.P.C. 19.
 - 93. Cornish *Intellectual Property* 449 - 450 and Bali T.M. [1969] R.P.C. 472 496 - 497.
 - 94. Blanco White & Jacob *Kerly* 12th ed. 165.
 - 95. Hack's Application (1941) 58 R.P.C. 91 108.

What the Registrar has to decide in the first instance under section 11 is a question of fact. In deciding it, the Registrar is not, in my view, exercising a discretion at all. The discretion of the Registrar arises if, and only if, he decided that preliminary question of fact in favour of the applicant; he has a discretion to register or refuse the registration.

An objection under section 11 could be taken at three stages i.e. at examination, or during opposition or expungement proceedings.

5.2 *Marks offending section 12*

Section 12 provided regarding trade marks:

12 Prohibition of registration of identical and resembling trade marks

(1) Subject to the provisions of subsection (2) of this section, no trade mark shall be registered in respect of any goods or description of goods that is identical with or nearly resembles a mark belonging to a different proprietor and already on the register in respect of -

- (a) the same goods,*
- (b) the same description of goods, or*
- (c) services or a description of services which are associated with those goods or goods of that description.*

(2) In case of honest concurrent use, or of other special circumstances which in the opinion of the Court or the Registrar make it proper so to do, the Court or the Registrar may permit the registration by more than one proprietor, in respect of -

- (a) the same goods,*
- (b) the same description of goods, or*
- (c) goods and services or descriptions of goods and services which are associated with each other,*

of marks that are identical or nearly resemble each other, subject to such conditions and limitations, if any, as the Court or the Registrar, as the case may be, may think it right to impose.

(3) *Where separate applications are made by different persons to be registered as proprietors respectively of marks that are identical or nearly resemble each other, in respect of -*

- (a) the same goods,*
- (b) the same description of goods, or*
- (c) goods and services or descriptions of goods and services which are associated with each other,*

the Registrar may refuse to register any of them until their rights have been determined by the Court, or have been settled by agreement in a manner approved by him or on an appeal (which may be brought either to the Board of Trade or to the Court at the option of the appellant) by the Board or the Court, as the case may be.

Section 12 provided regarding service marks:

12 Prohibition of registration of identical and resembling service marks

(1) Subject to the provisions of subsection (2) of this section, no service mark shall be registered in respect of any services or description of services that is identical with or nearly resembles a mark belonging to a different proprietor and already on the register in respect of the same services, the same description of services, or goods or a description of goods which are associated with those services or services of that description.

(2) In case of honest concurrent use, or of other special circumstances which in the opinion of the Court or the Registrar make it proper so to do, the Court or the Registrar may permit the registration by more than one proprietor, in respect of -

- (a) the same services,*
- (b) the same description of services, or*
- (c) services and goods or descriptions of services and goods which are associated with each other,*

of marks that are identical or nearly resemble each other, subject to such conditions and limitations, if any, as the Court or the Registrar, as the case may be, may think it right to impose.

(3) *Where separate applications are made by different persons to be registered as proprietors respectively of marks that are identical or nearly resemble each other, in respect of -*

- (a) *the same services,*
- (b) *the same description of services, or*
- (c) *services and goods or descriptions of services and goods which are associated with each other,*

the Registrar may refuse to register any of them until their rights have been determined by the Court, or have been settled by agreement in a manner approved by him or on an appeal (which may be brought either to the Board of Trade or the the Court at the option of the appellant) by the Board or the Court, as the case may be.

Note must also be taken of section 68(2)(B) which provided regarding both trade marks and service marks:

(2B) References in this Act to a near resemblance of marks are references to a resemblance so near as to be likely to deceive or cause confusion.

Section 12(1) had as its object the prevention of deception or confusion which might arise if identical or closely resembling trade marks for the same goods or description of goods were allowed on the register.⁹⁶

The origin of the provision was to be found in section 11 of the 1875 Act which featured a wording not too dissimilar from that of section 12(1) of the 1938 Act.⁹⁷

96. Moses *Trade Marks Practice* 35.

97. The first paragraph of section 6 of the 1875 Act provided: "The Registrar shall not, without the special leave of the Court, to be given in the prescribed manner, register in respect of the same goods or classes of goods a trade mark identical with one which is already registered with respect to such goods or classes of goods, and the Registrar shall not register with respect to the same goods or classes of goods a trade mark so nearly resembling a trade mark already on the register with respect to such goods or classes of goods as to be calculated to deceive".

The matters dealt with in section 12 were covered by sections 19, 20 and 21 of the 1905 Act (as amended) in substantially the same terms as that of the 1938 Act.

Section 39(8) extended the operation of section 12 to the so called refused marks for textile goods which were treated as registered marks for the purpose of section 12(1) and 12(2).

Section 12 could be raised at three stages, namely, upon examination, at the time of opposition and at the time of expungement. The onus was upon the applicant to show that section 12(1) was not applicable at the examination and opposition stages. Where section 12 was relied upon in an expungement application, however, the onus was on the party seeking expungement to show the applicability of section 12(1) because expungement was always a matter of discretion under the Act and the wording of the enabling section - section 32(1) - was couched in discretionary terms.⁹⁸

A court had to deal with two questions in considering the applicability of section 12(1):

*Under Section 12(1) the Tribunal has to consider two questions (a) whether any of the goods in respect of which the applicants are seeking registration are the same or of the same description as any of the goods of any one or more of the relevant trade marks already on the Register and cited against the pending application; and (b) if this question is answered in the affirmative, whether, presuming use of the marks in a normal and fair manner, there will be a reasonable likelihood of deception or confusion arising among a substantial number of persons if the mark is allowed to be registered.*⁹⁹

The statutory classification of goods and services was regarded as being merely a guide and could not determine

98. Blanco White & Jacob Kerly 12th ed. 34.

99. Per Lloyd and Bray Kerly 7th ed. 217.

the question whether goods or services were the same or of the same description. Thus, that goods or services under consideration were classified in the same or different classes was not conclusive.¹⁰⁰ The enquiry was one of fact. **Lloyd** and **Bray** observe with reference to the cases:

The time test whether or not goods are "of the same description" would seem to be supplied by the question - Are the two sets of goods so commonly dealt in by the same trader that his customers, knowing his mark in connection with one set and seeing it upon the other, would be likely to suppose that it was used upon them also to indicate that they were his goods? The matter should be looked at from a business and commercial point of view. As Viscount Dunedin said in the Myol Case, "The material considerations arising in connection with the registration of Trade Marks are practical". Statutory classification is no criterion as to whether or not two sets of goods are of the same description.

In Jellinek's Application, Romer, J., classified the various matters to be taken into account in deciding whether goods are goods of the same description into three classes -

- (a) the nature and composition of the goods;*
- (b) the respective uses of the articles;*
- (c) the trade channels through which the commodities respectively are bought and sold.¹⁰¹*

When considering the possibility of trade and service marks conflicting as contemplated by section 12 the test was one of association in terms of the section. The question resolves itself as one of statutory definition, therefore, as section 68(2A) - inserted by the 1984 Act - provides:

(2A) For the purposes of this Act goods and services are associated with each other if it is likely that those goods might be sold or otherwise traded in and those services might be provided by the same business, and so with descriptions of goods and descriptions of services.

100. See **Lloyd and Bray Kerly** 7th ed. 218 - 219; **Reid Trade Marks** 35.

101. **Lloyd and Bray Kerly** 7th ed. 218 - 219. See also **Mc Dowell's Appn.** (1947) 63 R.P.C. 36 (the Myol case) and **Jellineks' Application** (1946) 63 R.P.C. 59 (the Panda case).

It is to be noted that it did not matter whether the conflicting mark upon which section 12(1) was invoked was a Part A or Part B registration or application.¹⁰²

It is to be noted further that the finding that an applicant's mark contravened section 12(1) was a finding of fact compelling the Registrar to refuse the application. No discretion to allow registration was available as is clear from the mandatory wording of the section.¹⁰³

The provisions of section 12(1) embodied the old rule, taken up in the 1875 Act, that a mark which can from its resemblance to an existing trade mark be regarded as being "calculated to deceive" cannot be protected as a trade mark because its use would infringe the other trade mark and a court would restrain this conduct.

In applying section 12 no regard was had to use of the mark applied for. The onus of proving that no reasonable probability of deception was present was cast upon the applicant for registration of the mark and this onus became heavier where the mark had not been used and no trade had been established in it without complaint or restraint by others. As with section 11, the restriction on registration of deceptive marks under section 12 were not only for the protection of traders with marks on the register but also for the protection of the public. Thus, the consent of the proprietor of a registered mark could not bind the registry in the application of either sections.¹⁰⁴

5.3 *Honest Concurrent User*

In the case of honest concurrent use or other special circumstances section 12(2) afforded the Court or the Registrar the discretion to allow side by side

102. See Blanco White & Jacob *Kerly* 12th ed. 145 - 146.

103. See Blanco White & Jacob *Kerly* 12th ed. 146.

104. See Blanco White & Jacob *Kerly* 12th ed. 224 - 226.

registration of identical or merely resembling marks in respect of the same goods or description of goods or services, subject to limitations if necessary.¹⁰⁵

It is to be noted that section 12(2) provided an exception to section 12(1) only and could not be applied to overcome the provisions of sections 9 and 11.¹⁰⁶

The onus was upon the applicant to justify registration under section 12(2). All the surrounding circumstances were taken into consideration such as the degree of deception and confusion likely to arise from use of the two marks, the circumstances under which the applicant chose the mark, the period of use of the mark, the extent of use of the marks, the existence of evidence of confusion in actual use of the mark applied for, the size of the parties enterprises, geographical considerations, the goods or services in respect of which the respective marks were actually in use and the hardships involved in registering or not registering the mark.¹⁰⁷

Cornish points out that when the register was first established there were numerous instances where unconnected honest users sought registration for similar marks at the same time. The court was given a discretion to admit such users to the register under the earlier acts and a three mark rule developed as a question of practice ie. three registrations of identical or similar marks could be allowed but no more. Additional marks were regarded as common to the trade.¹⁰⁸ Hence this earlier arrangement - but without the three mark rule - found an

105. See section 12(2) set out at p 130, 131 *supra*.

106. *Moses Trade Marks Practice* 48.

107. See *Moses Trade Marks Practice* 48; *Reid Trade Marks* 41; *Cornish Intellectual Property* 451 - 452; *Blanco White and Jacob Kerly* 12th ed. 158; *Alex Pirie and Sons Ltd.'s Application* (1933) 50 R.P.C. 147.

108. *Cornish Intellectual Property* 451.

echo in section 12(2) of the 1938 Act.¹⁰⁹

Essentially, the matter concerned a balancing of the public interest with the private interests of the applicant:

*A delicate balance is involved in deciding whether registration should be permitted under Section 12(2). Once it is decided that the marks are potentially confusing, the public interest in not having the marks upon the register has to be set against the legitimate interest of the traders which derives from their actual use. There is no obligation to allow registration despite a high risk of confusion; and if one of the users can prove that the other is passing-off in any circumstances, he may sue to prevent it. The exception should, in other words, be regarded not as one in which the public interest gives place to private entitlement, so much as one in which a special concession is allowed if the danger to the public can be reduced to minor proportion.*¹¹⁰

5.4 Conflicting Co-Pending Applications

Section 12(3) provided for the situation where there was a conflict between pending applications. As such it was not an exception to section 12(1) which applied only when the prior mark was registered.

Section 12(3) empowered the Registrar to refuse both applications until the applicants' rights had been determined by a court or settled by agreement *inter se* in a manner acceptable to the Registrar or a Tribunal on Appeal.¹¹¹

In this regard it must be noted that although at first glance the first applicant to apply should have prevailed the history of the British system led to claims based upon

109. Cornish *Intellectual Property* 452.

110. Cornish *Intellectual Property* 452.

111. See section 12(3) set out at p 131, 132 *supra*.

actual use in trade being preferred. Thus, if one of the rival applicants had commenced use before the other applicant had either used or registered the mark and had continued use without interruption, he had a better right to register and could not, under section 7 of the Act, be sued for infringement. Should his rival have obtained registration first he could seek concurrent registration. In the event of concurrent registration not being sought or not succeeding, he could seek to remove the other mark on the basis of section 11 in order to make way for registration of his own mark.¹¹²

6. *MISCELLANEOUS REMAINING RESTRAINTS*

An applicant who satisfied the requirements of sections 68, 9 or 10 and who overcame the obstacles of sections 11 and 12 would be entitled to registration provided his mark was not generic in terms of section 15 of the Act or did not offend rules 15 - 18 of the Board of Trade under sections 40(1) and (2) of the Act. These rules related to marks implying or claiming patent, design, copyright or hall-mark status, other unfounded legal claims,

112. Section 7 of the 1938 Act provided:

"7 Saving for vested rights

Nothing in this Act shall entitle the proprietor or a registered user of a registered trade mark to interfere with or restrain the use by any person of a trade mark identical with or nearly resembling it in relation to goods in relation to which that person or a predecessor in title of his has continuously used that trade mark from a date anterior -

- (a) to the use of the first-mentioned trade mark in relation to those goods by the proprietor or a predecessor in title of his; or
- (b) to the registration of the first-mentioned trade mark in respect of those goods in the name of the proprietor or a predecessor in title of his;

whichever is the earlier, or to object (on such use being proved) to that person being put on the register for that identical or nearly resembling trade mark in respect of those goods under subsection (2) of section twelve of this Act."

When the Act applied to service marks the words "service marks" replaced the words "trade marks" in the section.

See Cornish *Intellectual Property* 453.

implications of royal patronage, representations of royalty and use of certain prohibited crosses or armorial bearings. Finally, note must be taken of section 39(5) regarding textile piece goods in respect of which the section prohibited trade marks consisting of line headings and section 15(3) which restricted registration of trade marks which related to the names of certain chemical substances.

7. *IN SUM*

In order to obtain registration of a mark as a trade or service mark under the 1938 Act as amended the applicant had a four element onus to discharge. He had to show firstly that his mark qualified as a mark, secondly that his mark qualified as a trade or service mark, thirdly that his mark was sufficiently distinctive or was capable of distinguishing to a degree which would qualify it for acceptance (the registrability provisions), and fourthly that it was not disqualified from registration under a number of provisions (the bars to registration). To all this a considerable body of case law and Registrar's practice applied.

The trade mark law of the United Kingdom, throughout its development, evidenced a tension between the rights of the proprietor on the one hand and the public interest - represented by the principle that confusion and deception should be eschewed - on the other. This tension indicated not a conflict of principle but a balancing of interests.¹¹³

It was the principle that use of a trade mark should not result in public confusion and deception which determined the limits of and circumscribed the proprietor's rights on the one hand - and it was the bar to registration provisions which illustrated this most aptly.

113. See GE Trade Mark [1973] R.P.C. 297 326.

On the other hand, the infringement provisions determined the extent of operation of the registered trade mark or service mark right. These provisions are considered in the following chapter.

CHAPTER 7

UNITED KINGDOM: THE 1938 ACT - INFRINGEMENT

This chapter deals in the main with the infringement of registered trade marks under the 1938 Act (as amended and supplemented to date of repeal). It commences with a review of those sections of the earlier Acts which set out the probative value and extent of the registered trade mark right under each of the enactments concerned.

It will be seen that the earlier enactments confirmed the common law for the most part whilst the 1938 Act extended the infringement action some way beyond its traditional form.

1. INFRINGEMENT UNDER THE EARLIER ACTS

The 1875 and 1883 Acts provided that registration of a trade mark afforded *prima facie* evidence of the proprietor's right to the exclusive use thereof subject to the provisions of the enactment concerned. The relevant sections¹ provided further that after the effluxion of five years a valid registration would provide conclusive evidence of an exclusive right. The validity of a registration could however be attacked and the entry expunged at any time.²

Valid registration under the 1905 Act gave the registrant the exclusive right of use of the registered trade mark subject to the provisions of the Act and the original registration was regarded conclusive after seven years - subject to the limitations set out in the relevant sections.³

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1. See sections 3 and 76 respectively.
 2. See Lloyd & Bray *Kerly* 7th ed. 398.
 3. See sections 39, 40 and 41.

It will be recalled that the 1919 Act introduced Part B registration.⁴ It provided that Part B registration afforded *prima facie* evidence of an exclusive right of use of the registered mark.⁵ Part B registrations did not however ever become conclusive despite the passage of time. Thus Part B registrations remained permanently open to attack. Part A registrations followed the provisions of the 1905 Act (which included marks registered prior to the 1919 Act).

Until the 1938 Act introduced extensive changes no earlier Act attempted to define the nature of the exclusive right afforded by registration or the actions which infringed a registration.⁶

It will be recalled that the legislation prior to the 1938 Act had been largely aimed at establishing a system of enacted rights which took up the common law into legislation and supplemented it in an insubstantial way.⁷ Under the earlier Acts the ambit of the registered trade mark right and the acts which infringed it were to be derived from the general principles laid down by the cases.⁸

The key principles were to be found in the **Champagne Heidsieck** case in which it was held that:

- (a) the exclusive right to use a trade mark conferred upon the proprietor through registration was the right to use the mark as a trade mark i.e. as indicating that the goods upon which it was placed were his goods and to exclude others from selling goods which were not his under the mark;

4. See p 62 *supra*.

5. Section 4.

6. See Lloyd & Bray *Kerly* 7th ed. 399.

7. See p 86 *supra*.

8. See Lloyd & Bray *Kerly* 7th ed. 399.

- (b) this exclusive right did not, however, empower the proprietor to exercise control over his goods once they had been sold.⁹

2. *1938 ACT: INFRINGEMENT OF PART A REGISTRATIONS*

The provisions relating to infringement of Part A registrations were structured as follows:

The right afforded a registrant through registration in Part A of the register was defined in section 4 (1) of the Act whilst the right afforded by Part B registration was defined in section 5 (1).

Those acts which constituted infringement were defined in sections 4(1)(a) and (b) whilst certain acts which were saved from infringement were defined in sections 4(2), (3), (4), (6) and (7).

Section 5(2) excluded certain infringement-type acts from constituting an infringement of Part B registrations.

Each of these matters are considered briefly in turn in the following paragraphs.

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9. *Champagne Heidsieck et Cie Monopole Societe Anonyme v Buxton* (1930) 47 R.P.C. 28. This case is discussed at greater length in chapter 10. See p 232-234 *infra*. The degree to which the 1938 Act extended the ambit of the right so described - if at all - is not clear. According to Blanco White & Jacob *Kerly* 12th ed. 264-265 the "exclusive right" of section 4 (1) covered what was covered before 1938, plus what was specified by section 4 (1)(b) and nothing more. (See also *Bismag Ltd v Amblins (Chemists) Ltd* (1940) 57 R.P.C. 209). According to the authors at p 263: "It was well settled, under the previous Acts, that the "exclusive right" given by registration was limited to use as an indication of origin of the user's goods."

2.1 *The Registered right*

Registration of a trade mark in Part A of the register afforded the registered proprietor of the mark the exclusive right to use it in relation to the goods or services in respect of which it was registered, subject to the provisions of the Act.¹⁰

A Part B registration conferred the same exclusive right upon a proprietor as did a Part A registration but was subject to the provisions of section 5(2) of the Act.¹¹

The essence of the right was to exclude others from using the registered mark in connection with the goods or services in respect of which it was registered.

In general registration gave no right of use to a mark which did not already exist without registration [except in the case of the use of concurrently registered identical or nearly resembling marks (an aspect specifically provided for in section 4(4))].¹² An important consequence thereof was this: the mere fact of registration was not a defence to a passing off action against a registrant in respect of use of the registered mark.¹³

2.2 *Sections 4(1)(a) and (b).*¹⁴

In regard to trade marks the section provided:

4(1) Subject to the provisions of this section, and of sections seven and eight of this Act, the registration (whether before or after the commencement of this Act) of a person in Part A of the register as proprietor of a trade mark (other than a certification trade mark) in

10. Section 4(1).

11. Section 5(1). Section 5(2) is discussed at p 152-154 *infra*.

12. Blanco White & Jacob Kerly 12th ed. 262-263.

13. See section 2 of the Act.

14. Regarding the wording of the section see *Bismag Ltd v Amblins (Chemists) Ltd* (1940) 57 R.P.C. 209 232, 237.

respect of any goods shall, if valid, give or be deemed to have given to that person the exclusive right to the use of the trade mark in relation to those goods and, without prejudice to the generality of the foregoing words, that right shall be deemed to be infringed by any person who, not being the proprietor of the trade mark or a registered user thereof using by way of the permitted use, uses in the course of trade a mark identical with or nearly resembling it, in relation to any goods in respect of which it is registered, and in such manner as to render the use of the mark likely to be taken either -

- (a) as being use as a trade mark; or*
- (b) in a case in which the use is use upon the goods or in physical relation thereto or in an advertising circular or other advertisement issued to the public, as importing a reference to some person having the right either as proprietor or as registered user to use the trade mark or to goods with which such a person as aforesaid is connected in the course of trade.*

In regard to service marks the section provided:

- 4(1) Subject to the provisions of this section, and of sections seven and eight of this Act, the registration (after the coming into force of the Trade Marks (Amendment) Act 1984) of a person in Part A of the register as proprietor of a service mark in respect of any services shall, if valid, give to that person the exclusive right to the use of the service mark in relation to those services and, without prejudice to the generality of the foregoing words, that right shall be deemed to be infringed by any person who, not being the proprietor of the service mark or a registered user thereof using by way of the permitted use, uses in connection with the provision of any services a mark identical with or nearly resembling it in relation to any services in respect of which it is registered, and in such manner as to render the use of the mark likely to be taken either -*

- (a) as being use as a service mark; or*

(b) in a case in which the use is use at or near the place where the services are available for acceptance or performed or in an advertising circular or other advertisement issued to the public, as importing a reference to some person having the right either as proprietor or as registered user to use the mark or to services with the provision of which such a person as aforesaid is connected in the course of business.

2.3 Section 4(1)(a) Infringements

An analysis of section 4(1)(a) reveals that a valid Part A registration was infringed by non-permitted use by persons other than the proprietor, of an identical or nearly resembling mark as a trade mark in the course of trade (or as a service mark in the provision of services), in relation to the goods (or services in the case of service marks) covered by the registration.

These circumstances represented the traditional and only form of infringement recognised by the registration system before the advent of the 1938 Act and section 4(1)(b) infringements.¹⁵

The Plaintiff's title depended upon a valid registration¹⁶ and upon registration a trade or service mark acquired the date upon which the application for its registration was filed as the date of its registration.¹⁷ Damages were only claimable if they arose after the date of application for registration - whether or not Convention priority had been claimed in respect of the application.¹⁸

15. Cornish *Intellectual Property* 472.

16. See Lloyd & Bray *Kerly* 7th ed. 395.

17. Section 19 (1).

18. See sections 39A(2) and A(3).

A defendant using an identical or closely resembling mark otherwise than as a trade mark did not commit an act of infringement under section 4(1)(a).¹⁹

What is meant by "identical mark" needs no explanation but the concept of "nearly resembling" marks requires comment.

It will be recalled that section 68(2B) provided that references in the Act to near resemblance of marks "are references to a resemblance so near as to be likely to deceive or cause confusion". The concept of near resemblance or confusing similarity in section 4(1) and section 5(2) embodied in the wording "likely to deceive or cause confusion" was the same as that applied under sections 11 and 12(1). In the context of section 4 it was the task of the Court to establish, objectively and according to the normal rules of the burden of proof in civil proceedings, whether relevant members of the public were more likely to be deceived or confused than not.²⁰

In actions for infringement under the 1938 Act a comparison was to be made between the mark as registered - taking into account any disclaimer - and the defendant's mark as it appeared in actual use.²¹

Otherwise than in the case of passing-off the manner of actual use of the registered mark by the plaintiff was irrelevant in a trade mark infringement action. The defendant's mark in actual use was compared with a

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- 19. Of the later cases *Mars GB Ltd v Cadbury Ltd* [1987] R.P.C. 387 affords an apt example where "treat size" used otherwise than as a trade mark was held not to infringe a registrations for TREETS. See also *Unidoor Ltd v Marks & Spencer plc* [1988] R.P.C. 275 and *Mothercare UK Ltd v Penguin Books Ltd* [1988] R.P.C. 275.
 - 20. Gold & Nicholls (eds) *Trade Mark Handbook* 19.3.3 Rel 5 [1994].
 - 21. Per Lord Cameron in *Coca-Cola Co v William Struthers & Sons Ltd* [1968] R.P.C. 231 242; See also *Saville Perfumery Ltd v June Perfect and F W Woolworth & Co Ltd* [1941] 58 R.P.C. 147 161.

reasonable and honest use of the registered mark by the plaintiff. In this sense the test for confusion in infringement actions was an artificial one.²²

The taking of one or more of its essential features could infringe a registered trade mark.²³

Whether or not the use complained of was in the course of trade or in the provision of services was a question of fact and no ready-made test at law for the presence of either materialised over time.²⁴

The **Cheetah** case (one of the last decided before repeal of the 1938 Act) illustrates the application of the section. There the Court held use of a registered mark not upon goods or their container but in documentation issued subsequent to delivery of the goods to be use of the mark in the course of trade and infringing use under section 4 (1) (a).²⁵

Infringement could occur only when the use of the mark complained of was upon or in relation to goods or services within the letter of the registered specification. Use on or in relation to approximate goods or services not specifically covered or upon goods or services of the same description would not sustain an infringement action.²⁶ The onus was upon the proprietor of the registered mark to show infringement.²⁷

22. See Cornish *Intellectual Property* 474.

23. See Blanco White & Jacob *Kerly* 12th ed. 273.

24. See the discussion of this element in Blanco White & Jacob *Kerly* 12th ed. 265 - 266 & Jacob, Kitchen and Mellor *Supplement to Kerly* 33 - 34, from which this conclusion is derived.

25. *Cheetah* TM [1993] F.S.R. 389.

26. See Cornish *Intellectual Property* 473.

27. See Blanco White & Jacob *Kerly* 12th ed. 272.

2.4 Section 4 (1)(b) Infringements

In the **Yeast-Vite** case²⁸ the Appellants had a registration for the trade mark YEAST-VITE in class 3 in respect of medicinal preparations of yeast for human use. The Respondents had sold a tablet in bottles featuring the following on the label: "Yeast Tablets" a substitution for "Yeast-Vite". The Appellants alleged infringement. The House of the Lords held that there had been no infringement because the Respondents had not used the words "Yeast-Vite" on its labels so as to indicate that the goods to which the expression on the label applied were the goods of the Appellants - indeed the Respondents had correctly stated the origin of the goods.

Although the enactments provided a registrant with an exclusive right to use a registered trade mark this did not mean that the proprietor could stop use of the mark in every case. His right was limited to preventing use of the registered mark as a trade mark in connection with goods which were not his goods and which were covered by the registered specification.²⁹

Section 4(1)(b) of the 1938 Act was enacted to overrule the **Yeast-Vite** case³⁰ - so extending the trade mark infringement action beyond its traditional form.

Under section 4 (1)(b) a valid Part A registration was infringed by non-permitted use by persons other than the proprietor, of an identical or nearly resembling mark in the course of trade (or as a service mark in the provision of services) in relation to the goods (or services in the case of service marks) for which it was registered, in the manner contemplated in (b).

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28. Irving's Yeast-Vite Ltd v F.A. Horsenail [1934] 51 R.P.C. 110. This case is discussed further at p 240-242 *infra*.
29. Lloyd & Bray *Kerly* 7th ed. 403.
30. Gold & Nicholls (eds) *Trade Mark Handbook* 19.4.1 Rel 5 [1994]; Cornish *Intellectual Property* 479.

The circumstances contemplated in (b) were use of an identical or nearly resembling mark:

2.4.1 upon or in physical relation to goods (in the case of trade marks) or at or near the place where the services were available (in the case of service marks);

2.4.2 alternatively in an advertising circular or other advertisement issued to the public;

and in the case of both alternatives -

2.4.3 the use had to import a reference to:

2.4.3.1 the proprietor; or

2.4.3.2 a registered user; or

2.4.3.3 the proprietors' or registered users' goods or services.³¹

No principles of general significance are to be derived from the decided cases under section 4 (1)(b) and the following limited observations serve for the purpose of this work.

The comment in preceding paragraphs applicable to section 4 (1)(a) infringements relating to a valid registration being pre-requisite, considerations regarding identical or nearly resembling marks and the concepts of use in the course of trade or in the provision of services in relation to the goods or services covered by the registered specification, apply equally to section 4 (1)(b) infringements.

It must however be observed that under the latter section as a general premise "public" meant the class of ordinary purchasers and not those in the trade in the goods or services concerned. Hence dealers and producers could

31. See section 4(1)(b) set out at p 145-146 *supra*.

employ a description which included a trade mark or service mark when recommending goods to a trader who would not be deceived thereby but were not allowed to use such descriptions when goods were offered to the public.³²

In this regard cognizance must be taken of the decision in **Chanel Ltd v L'Arôme** where the Court departed from the general premise and held that a comparison chart forming part of a confidential document issued to distributors coupled with a contractual term forbidding exhibition thereof to customers was an advertisement to the public because of the numbers and the kind of distributor involved.³³

The limits and scope of the phrase "importing a reference" was not closely defined and a *numerus clausus* of instances importing a reference could not be derived from the cases. The matter fell to be determined as a question of fact in each case. The following instances of non-trade mark use serve as examples:

- 2.4.4 comparative comments (whether true or false) as to quality, similarity or price were for the most part taken as importing a reference;
- 2.4.5 comparative advertising of products side by side with accompanying text implying that there was nothing to choose between the products was importing a reference;
- 2.4.6 statements featuring the registered trade mark in such a way as to make capital out of a previous business connection with the proprietors of the registered trade mark were regarded as importing a reference.³⁴

32. See Blanco White & Jacob *Kerly* 12th ed. 276 - 277.

33. *Chanel Ltd v L'Arôme (UK) Ltd* [1991] R.P.C. 335.

34. In regard to "importing a reference" see Blanco White & Jacob *Kerly* 12th ed. 277 - 278; Cornish *Intellectual Property* 480 and Gold & Nicholls (eds) *Trade Mark Handbook* 19.4.5 Rel 5 [1994].

3. 1938 ACT: INFRINGEMENT OF PART B REGISTRATIONS

In regard to trade marks section 5 of the Act provided:

(1) Except as provided by subsection (2) of this section, the registration (whether before or after the commencement of this Act) of a person in Part B of the register as proprietors of a trade mark in respect of any goods shall, if valid, give or be deemed to have given to the person the like right in relation to those goods as if the registration had been in Part A of the register, and the provisions of the last foregoing section shall have effect in like manner in relation to a trade mark registered in Part B of the register as they have effect in relation to a trade mark registered in Part A of the register.

(2) In any action for infringement of the right to the use of a trade mark given by registration as aforesaid in Part B of the register, otherwise than by an act that is deemed to be an infringement by virtue of the next succeeding section, no injunction or other relief shall be granted to the plaintiff if the defendant establishes to the satisfaction of the court that the use of which the plaintiff complains is not likely to deceive or cause confusion or to be taken as indicating a connection in the course of trade between the goods and some person having the right as proprietor or as registered user to use the trade mark.

In regard to service marks section 5 of the Act provided:

(1) Except as provided by subsection (2) of this section, the registration (after the commencement of the Trade Marks (Amendment) Act 1984) of a person in Part B of the register as proprietor of a service mark in respect of any services shall, if valid, give to that person the like right in relation to those services as if the registration had been in Part A of the register, and the provisions of the last foregoing section shall have effect in like manner in relation to a service mark registered in Part B of the register as they have effect in relation to a service mark registered in Part A of the register.

(2) In any action for infringement of the right to the use of a trade mark given by registration as aforesaid in Part B of the register, otherwise than

by an act that is deemed to be an infringement by virtue of the next succeeding section, no injunction or other relief shall be granted to the plaintiff if the defendant establishes to the satisfaction of the court that the use of which the plaintiff complains is not likely to deceive or cause confusion or to be taken as indicating a connection in the course of trade between the goods and some person having the right as proprietor or as registered user to use the trade mark.

An analysis of the section reveals that a Part B registration afforded a registrant the same rights as did a Part A registration save for the provision of section 5 (2) which would release a defendant from the consequences of infringement in certain circumstances. To escape the defendant had to prove two things regarding the infringing use namely -

- 3.1 that such use was not likely to deceive or to cause confusion;
- 3.2 that such use was not likely to be taken as indicating a connection in the course of trade (in the case of trade marks) or in the course of business (in the case of service marks) between the defendant's goods (in the case of trade marks) or the provision of services by the defendant (in the case of service marks) and the proprietor or a registered user of the registered mark.³⁵

Thus, under the 1938 Act no differentiation was made between the acts which constituted an infringement of a Part A as opposed to a Part B registration - the only difference was that section 5 (2) provided the infringer with immunity if he were able to invoke its provisions

35. See Blanco White & Jacob *Kerly* 12th ed. 285-286, 288; The connection in the course of trade doctrine is discussed - in the context of the definition of a trade or service mark under the Act - at p 105-107.

successfully (and the onus was on the alleged infringer to do so if he could).

No case law of material importance developed regarding the effect of section 5 (2)³⁶ and the differences which separated Part A from Part B registrations were significant in unusual cases only.³⁷

4. STATUTORY LIMITATIONS UPON SECTION 4 (1)

As already observed regarding the structure of the provisions relating to infringement in the 1938 Act, sections 4 (2), 4 (3), 4 (4) and sections 6 and 7 limited the infringement action provided by section 4 (1). I shall deal briefly with the limitations *seriatim*:

4.1 Section 4 (2)

In regard to trade marks section 4 (2) of the Act provided:

The right to the use of a trade mark given by registration as aforesaid shall be subject to any conditions or limitations entered on the register, and shall not be deemed to be infringed by the use of any such mark as aforesaid in any mode, in relation to goods to be sold or otherwise traded in any place, in relation to goods to be exported to any market, or in any other circumstances, to which, having regard to any such limitations, the registration does not extend.

In regard to service marks section 4 (2) of the Act provided:

The right to the use of a service mark given by registration as aforesaid shall be subject to any conditions or limitations entered on the register, and shall not be deemed to be infringed by the use of any such mark as

36. Blanco White & Jacob Kerly 12th ed. 286.

37. See Cornish *Intellectual Property* 474 - 475.

aforesaid in any mode, in relation to services for use or available for acceptance in any place, country or territory or in any other circumstances, to which, having regard to any such limitations, the registration does not extend.

Thus a registered trade mark or service mark subject to conditions or limitations entered on the register would not be infringed by use falling outside the scope of the registration so limited.

4.2 Sections 4 (3)(a), (b) and (c)

In regard to trade marks this section of the Act provided:

(3) The right to the use of a trade mark given by registration as aforesaid shall not be deemed to be infringed by the use of any such mark as aforesaid by any person -

(a) in relation to goods connected in the course of trade with the proprietor or a registered user of the trade mark if, as to those goods or a bulk of which they form part, the proprietor or the registered user conforming to the permitted use has applied the trade mark and has not subsequently removed or obliterated it, or has at any time expressly or impliedly consented to the use of the trade mark; or

(b) in relation to goods adapted to form part of, or to be accessory to, other goods in relation to which the trade mark has been used without infringement of the right given as aforesaid or might for the time being be so used, if the use of the mark is reasonably necessary in order to indicate that the goods are so adapted and neither the purpose nor the effect of the use of the mark is to indicate otherwise than in accordance with the fact a connection in the course of trade between any person and the goods.

In regard to service marks this section of the Act provided:

(3) The right to the use of a trade mark given by registration as aforesaid shall not be deemed to be infringed by the use of any such mark as aforesaid by any person -

(a) in relation to services to which the proprietor of the mark or a registered user conforming to the permitted use has applied the mark, where the purpose and effect of the use of the mark is to indicate, in accordance with the fact, that those services have been performed by the proprietor or a registered user of the mark; or

(b) in relation to services the provision of which is connected in the course of business with the proprietor or a registered user of the mark, where the proprietor or registered user has at any time expressly or impliedly consented to the use of the mark; or

(c) in relation to services available for use with other services in relation to which the mark has been used without infringement of the right given by registration or might for the time being be so used, if -

(i) the use of the mark is reasonably necessary in order to indicate that the services are available for such use, and

(ii) neither the purpose nor the effect of the use of the mark is to indicate otherwise than in accordance with the fact a connection in the course of business between any person and the provision of those services.

According to **Cornish**³⁸ section 4 (3) (a) expressed the rule that prior consent and subsequent acquiescence constituted defences to infringement, and rendered the following general principles explicit:

- 4.2.1 the principle that a registered proprietor (or a registered user acting within the permitted use) could not infringe;
- 4.2.2 the principle that where a registered proprietor or a registered user had applied the registered trade mark to goods without subsequently removing or obliterating the

38. See Cornish *Intellectual Property* 476.

mark it was not an infringement for others to deal with the goods in commerce.

In the context of services the wording of section 4 (3)(a) referred to use by a third party having the purpose and effect of correctly indicating that the services had been performed by the proprietor or licensee.³⁹

A number of diverse issues such as use of marks on altered or adulterated goods⁴⁰, the relevance of the party who first places the goods on the market⁴¹, second-hand goods and possession of goods bearing an infringing trade mark⁴² were considered by the Courts under section 4 (3)(a). These issues are not pertinent to the theme of this work and for this reason are not elaborated upon. The question of parallel imports however requires some comment at this stage in anticipation of a discussion of relevant jurisprudence of the European Court of Justice in Part 4 of this work.

The question concerned whether the proprietor of a United Kingdom trade mark or service mark registration could prevent the entry of genuine goods or services under the mark into the United Kingdom by way of import or re-import in the face of the provisions of section 4 (3)(a) of the 1938 Act.

A review of the later cases decided prior to the coming into force of the Trade Marks Act 1994 provides this answer: Relying upon implied consent on the part of the registered proprietor the Courts would not prevent parallel importation of goods or services featuring a registered United Kingdom mark unless the registered proprietor could rely upon an express contractual

39. Gold & Nicholls (eds) *Trade Mark Handbook* 19.5.2 Rel 5 [1994].

40. See Blanco White & Jacob *Kerly* 12th ed. 279 - 281.

41. See *Accurist Watches Ltd v King* [1992] F.S.R. 80.

42. See Gold & Nicholls (eds) *Trade Mark Handbook* 19.5.2 Rel 5 [1994].

condition against such sale of goods or the provision of such services in the United Kingdom as stipulations of this kind indicated a want of consent on the part of the proprietor.⁴³

As this chapter is directed solely at the law of the United Kingdom under the 1938 Act I shall deal with those aspects of the relevant law applicable to movement of goods and services between Member States of the European Community where appropriate in Part 4 of this work.

Sections 4 (3)(b) and 4 (3)(c) provided a legislative echo of a line of authority commencing with the **Panoram TM** case⁴⁴ which held that a registered trade mark was not infringed by a third party incorporating the registered trade mark in a *bona fide* description of his goods e.g. "films for use with No. 1 **Kodak**" (in circumstances where **Kodak** was a registered trade mark for films as well as cameras). The ambit of the sections were never mapped out or clarified through the cases and an examination of the sources reveals a dearth of cases decided thereunder.⁴⁵

4.3 Section 4 (4)

In regard to trade marks section 4 (4) of the Act provided:

The use of a registered trade mark, being one of two or more registered trade marks that are identical or nearly resemble each other, in exercise of the right to the use of that trade mark given by registration as aforesaid, shall not be deemed to be an infringement of the right so given to the use of any other of those trade marks.

43. See *Revlon Inc v Cripps & Lee Ltd* [1980] F.S.R. 80; *Castrol Ltd v Automotive Oil Supplies Ltd* [1983] R.P.C. 315; *Colgate-Palmolive Ltd v Markwell Finance Ltd* [1989] R.P.C. 497.

44. *Kodak Ltd v London Stereoscopic and Photographic Co Ltd* [1903] 20 R.P.C. 337.

45. See *Blanco White & Jacob Kerly* 12th ed. 284 - 285.

The provision in regard to service marks was identical save that "service mark" replaced "trade mark" in the wording of the section.

The provisions of this section applied to both Part A and Part B trade and service marks and essentially determined that proprietors using their own registered marks - provided such use was *bona fide* - would not infringe the concurrently registered marks of others.

4.4 Sections 7 and 8

In regard to trade marks section 7 of the Act provided:

Nothing in this Act shall entitle the proprietor or a registered user of a registered trade mark to interfere with or restrain the use by any person of a trade mark identical with or nearly resembling it in relation to goods in relation to which that person or a predecessor in title of his has continuously used that trade mark from a date anterior -

(a) to the use of the first-mentioned trade mark in relation to those goods by the proprietor or a predecessor in title of his; or

(2) to the registration of the first-mentioned trade mark in respect of those goods in the name of the proprietor or a predecessor in title of his;

whichever is the earlier, or to object (on such use being proved) to that person being put on the register for that identical or nearly resembling trade mark in respect of those goods under subsection (2) of section twelve of this Act.

In regard to service marks the provision was couched in identical terms save that "service mark" replaced "trade mark" and "services" replaced "goods" in the wording of the section.

Thus where a third party had used a trade or service mark in relation to goods or services falling within the specification of a registered trade or service mark from a date prior to the earliest of the following dates namely -

- 4.4.1 the date of first use of the registered mark;
- 4.4.2 the date of registration of the registered mark;
- then the proprietor of the registered mark -
- 4.4.3 could not enforce the registered right against the prior user;
- 4.4.4 could not object to an application by the prior user for registration of the mark in respect of which he could show continuous prior use.

In regard to trade marks section 8 of the Act provided:

No registration of a trade mark shall interfere with:

(a) any bona fide use by a person of his own name or of the name of his place of business, or of the name, or of the name of the place of business, of any of his predecessors in business; or

(b) the use by any person of any bona fide description of the character or quality of his goods, not being a description that would be likely to be taken as importing any such reference as is mentioned in paragraph (b) of subsection (1) of section four, of this Act.

In regard to service marks the wording of section 8 was identical save for "service mark" replacing "trade mark" and "services" replacing "goods" in the wording of the section.

The essence of this section was that *bona fide* action of the kind described in the section would absolve the doer from infringement.

In regard to both sections 7 and 8 the enquiry turned on a subjective *bona fides* on the part of the party invoking either section who had to show the absence of an intention

to deceive or confuse or of fraudulent intention.⁴⁶

5. SECTION 6 INFRINGEMENT

This section concerned trade marks only and for the purposes of this work it is unnecessary to go beyond the following succinct treatment thereof by **Cornish**:

*In Section 6 the Act specifies five ways in which properly marked goods may not be subsequently treated, if the mark owner or registered user makes it a condition not to do so. If then, the restriction is broken, the acts are deemed infringement. They are i) applying the mark after impermissible alteration of the goods as respects their state or condition, get-up or packaging; ii) altering, partly removing or obliterating the mark; iii) removing or obliterating the mark without removing other references to the registered proprietor or users; iv) applying any other trade mark in addition; v) adding other written material likely to injure the reputation of the marks. But to have the required effect, the condition against doing any of these things must be specified in a written contract between proprietor or user and purchaser or owner of the goods. If binding, the condition affects all owners of the goods who have notice of it, except a purchaser who at the time of purchase did not know of it.*⁴⁷

6. DEFENCES

In order to complete a review of the law relating to infringement under the 1938 Act the defences available to a defendant to an infringement action must be mentioned briefly. **Gold & Nicholls** list twenty-seven discernable defences⁴⁸ each of which fall within one of the five broad categories defined by **Blanco White & Jacob** namely:

6.1 want of title on the plaintiff's part;

46. See *Baume & Co Ltd v A.H. Moore Ltd* [1957] R.P.C. 459 and *Adrema Ltd v Adrema-Werke GmbH* [1958] R.P.C. 323.

47. *Cornish Intellectual Property* 476 - 477 and section 6 of the Act.

48. *Gold & Nicholls (eds) Trade Mark Handbook* 19.9.1 Rel 5 [1994].

- 6.2 the registration relied upon was invalid or expungable;
- 6.3 there was no infringement;
- 6.4 the defendant had an independent right to use the mark complained of;
- 6.5 the plaintiff was debarred from suing the defendant (e.g.. on the basis of an agreement, estoppel, acquiescence, licence, delay, deceptiveness of the mark, fraud, section 5 (2) or under European Community Law.⁴⁹

7. *IN SUM*

Following the historical pattern set by earlier enactments the 1938 Act provided the registrant with the exclusive right to use of the registered trade mark (or service mark) in connection with the goods (or services) in respect of which it was registered and section 4 (1) (a) provided the registrant with the traditional form of the trade mark infringement action derived from the common law.

It has been generally accepted that the draftsmanship of the infringement section 4 of the Act was obscure and convoluted.

The infringement action was extended from its traditional form by section 4 (1) (b) of the Act. But it is here that the "fuliginous obscurity"⁵⁰ of the wording of the section fails to provide a clear indication of the outer limits of the action beyond the circumstances of the **Yeast-Vite** case which it overruled.⁵¹

Section 4 presents the registrants rights in a negative way. The right of exclusive use of the mark is

49. See Blanco White & Jacob *Kerly* 12th ed. 299.

50. Per Mackinnon L J in *Bismag Ltd v Amblins (Chemists) Ltd* [1940] 57 R.P.C. 209.

51. See p 149-151 *supra*.

circumscribed by providing the registrant with the means of preventing others from performing infringing conduct defined in complex provisions. In this sense the trade mark right in the law of the United Kingdom has always been a negative right far removed from an approach which would vest in the holder of a trade mark positive entitlements which would afford it a full range of extended functions in law.

These aspects are considered in the latter parts of this work.

CHAPTER 8

UNITED KINGDOM: - THE RELATIONSHIP BETWEEN TRADE MARKS AND GOODWILL: ASSIGNMENT AND LICENSING UNDER THE 1938 ACT

This chapter considers the law relating to assignments and licensing under the 1938 Act as amended. The topic requires investigation of the relationship between trade marks and the concept "goodwill". This investigation reveals much regarding the nature of trade mark rights under the law of the United Kingdom. In a preliminary way this chapter takes cognizance also of views relating to the above topics in the U.S.A.. Relevant aspects of the trade mark law of the latter jurisdiction are considered more fully in Part 5.

1. ASSIGNMENTS PRIOR TO THE 1938 ACT

Trade mark theory prior to the 1938 Act evolved from the premise that a trade mark indicated to the public that the goods bearing the mark emanated from a particular business exclusively. If the link between the trade mark and the business which it indicated was broken, the exclusive right to use the mark afforded by registration was vitiated. A registered trade mark could therefore not be assigned or devolve in gross. It could however be assigned or transmitted together with the goodwill in the business in the goods in respect of which it was registered - unless the personal connection between the original owner and the goods in connection with which it was used was so strong that an assignment would amount to a misrepresentation - in which event the registered mark was regarded as not properly assignable.¹

1. See Lloyd & Bray *Kerly* 7th ed. 343. 337 - 338.

These principles were established prior to the 1875 Act and were partly embodied both therein and in the 1883 Act. Thereafter they were largely taken up with other matter in section 22 of the 1905 Act.²

The close relationship between trade marks and goodwill was recognised by section 2 of the 1875 Act which required a registered trade mark to be assigned or transmitted only in connection with the goodwill of the business concerned in such particular goods or classes of goods for which it was registered. The section provided further that the trade mark was determinable with such goodwill. Thus there was no trade mark without goodwill and it was held that a registered trade mark could not be assigned if no business existed in which it was used.³

Section 3 of the Act rendered the right of the registered proprietor to the exclusive use of the registered mark specifically subject to the provisions of the Act concerning the connection between the mark and the goodwill of the business associated therewith. These provisions were subsequently re-enacted under sections 70 and 76 of the 1883 Act.⁴

2. *THE EARLY CASES CONCERNING GOODWILL*

The earliest judicial pronouncements about goodwill tended to connect the goodwill of a business to the business premises and, in this context, **Lord Eldon, C** had said in **Cruttwell v Lye**⁵ that goodwill was "*nothing more than the probability that the old customers will resort to the old place*".⁶

2. See Lloyd & Bray *Kerley* 7th ed. 338.

3. Ex Parte Laurence Bros., 44 L.T.N.S. 98; see Sebastian *Trade Marks* 343.

4. See Sebastian *Trade Marks* 300.

5. *Cruttwell v Lye* 17 Ves. 335.

6. See Sebastian *Trade Marks* 301.

This approach was extended by **Wood, VC** in the leading case of **Churton v Douglas** where he held that goodwill meant every positive advantage that had been acquired by an enterprise in the carrying on of its business whether this was connected with the premises in which the business was carried on or with the name of the business or with any other benefit of the business. In this context he regarded trade marks as being of the same nature as the name of the firm. A firm using its trade marks thereby stamped its name on the articles with which it carried on business to prove that they emanated from the firm. This firm thereby became the known firm to which customers apply for such goods, just as when a customer enters a shop in a known locality.⁷

In the further leading case of **Trego v Hunt**⁸ (approving **Churton v Douglas**), it was established that the *dictum* of **Lord Eldon** must be read as meaning that goodwill is the probability that the old customers will buy the old goods from the old firm or their successors in business, whether the means of identification be the place of business or otherwise. *"It is the whole advantage, whatever it may be, of the reputation and connection of the firm"*.⁹

A review of the earlier cases reveals that they dealt particularly with two aspects of goodwill : locality and personal goodwill of members of the legal and medical professions practising in partnership. This reflects the kind of case involving goodwill which came before the courts of the time.¹⁰

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- 7. Churton v Douglas Johns. 174 and see Sebastian *Trade Marks* 307.
 - 8. Trego v Hunt (1896) A.C.7.
 - 9. Per Lord MacNaughten at p 24 of the report of the case.
 - 10. See Sebastian *Trade Marks* 302 - 326.

That the goodwill of a trade mark could be of considerable value was already recognised in England during the 18th Century and, by the advent of the 19th Century, contracts for the enforcement of the sale of goodwill were being enforced regularly.¹¹

Writing at the turn of the 19th Century, **Sebastian** confirms the close link between trade marks and goodwill in the law of his time: on the basis of early authority concerning the interpretation of certain clauses in sale of business agreements he wrote that the sale of a business carried with it the goodwill and trade marks of the business whilst the stated sale of a business and the goodwill carried with it also the right to the trade name of the enterprise.¹²

Sebastian cites English, Canadian and U.S.A. authority indicating early acceptance of the principle that a trade mark did not exist in gross apart from the goodwill of the business with which it had been connected.¹³

Fry, LJ, stated the law as it then stood and was maintained prior to the 1938 Act thus in **Pinto v Badman**¹⁴ :

It is plain, therefore, that that being the title which the Plaintiffs have disclosed, the question comes to be one of law, and by the English law, can a trader, who has used a brand upon a particular article, and who continues to manufacture that article, alienate that brand to another person, so as to give the alienee any right whatever? It appears to me that, upon principles, he can have no such right. The brand is an indication of origin, and if you transfer the indication of origin, without transferring the origin itself, you are transferring a right, if any right at all, to commit a fraud upon the public, and such right is not recognised

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11. **Sebastian Trade Marks** 299.
 12. **Sebastian Trade Marks** 299.
 13. See **Sebastian Trade Marks** 300 and particularly footnote (b).
 14. **Pinto v Badman** (1891) 8 R.P.C. 181, 194 - 195.

by the law of England. I confess that seems to me to be the whole principle of the case. For many years nobody ever supposed that you could assign a trade mark at all. For many years, a trade mark was only put in evidence as one of the pieces of evidence which might tend to show that a Defendant was selling as and for the goods of the Plaintiff, goods which were not the goods of the Plaintiff. But gradually, the trade mark obtained more and more importance in such discussions, until Lord Westbury surprised the profession by asserting that there might be property in a trade mark. When that had been held, the question arose how that property could be dealt with, and whether it was assignable property, or a property not the subject of assignment. Therefore, the enquiry which agitated the Courts was this : can a trade mark be assigned at all, and if so, under what circumstances?

Fry, LJ went on to discuss what **Lord Westbury** had to say¹⁵ and proceeded:

It follows, therefore, that it has been laid down by the clearest authority that a trade mark can be assigned when it is transferred together with, to use Lord Cranworth's language : "the manufactory of the goods in which the mark has 'been used to be affixed' ". Beyond that, so far as my knowledge goes, and so far as any case that has been cited to us at the Bar is concerned, no authority can be produced. Therefore, I conceive that it is the limit of the assignability of trade mark. It can be assigned, if it is indicative of origin, when the origin is assigned with it. It cannot be assigned when it is divorced from its place of origin, or when, in the hands of the transferee, it would indicate something different to what it indicated in the hands of the transferor.

Now another indication that that is the law is to be found in this, that both the Statutes of 1875 and 1883 have regulated the right of transfer after registration, and in both cases they have confined it to assignment or transfer with the goodwill of the business in the article in respect of which the trade mark is registered. It is obvious that the Legislature in so enacting are intending to confine the right of assigning the trade mark

15. In *Leather Cloth Co v American Leather Cloth Co* 4 De G. J.S. 137. See p 29-30 *supra*.

after registration within the same limits by which it is confined at law and in equity before registration. Therefore, there can be no doubt, to my mind, that before and after registration, a trade mark cannot be assigned independently of the manufacture of the goods to which it relates. It never can be assigned in any way which will enable the transferee to represent something different to that which it represented in the hands of the transferor.

3. THE 1938 ACT : BACKGROUND TO THE ASSIGNMENT PROVISIONS

The position regarding the assignment of trade marks at common law reflected in the 1875 and 1883 Acts was taken up in section 22 of the 1905 Act.¹⁶ The substantial changes brought about by the 1938 Act were made largely in response to the Report of the Goschen Committee which was published in 1934.¹⁷

The Committee had a large volume of evidence to consider. Of particular interest in the context of the enquiry of this work, was the evidence which challenged the theory that a trade mark owes its value to the goodwill and reputation of the business in which it is used. This evidence indicated that under the then modern conditions of trading, the tendency was for a business to be built up around the trade mark, leading to the view being established in commerce that the goodwill of a business was frequently inherent in the trade mark itself.¹⁸

After reviewing all the evidence, the Committee reported thus prior to proceeding to make specific recommendations:

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- 16. See p 61-62 *supra*.
 - 17. See the discussion of the Report in Lloyd & Bray *Kerly* 7th ed. 350 - 354.
 - 18. See par. 107 of the Report. This view did not prevail.

110. We have given prolonged consideration to the representations made to us on this subject and have come to the conclusion that the requirement for the transfer of the goodwill of the business on the assignment of a trade mark is unduly restrictive in the circumstances of modern business and ought, in the interests of trade, to be relaxed. We have, therefore, attempted to suggest a means by which traders may be allowed the greatest possible liberty for the assignment of their marks, consistent with the avoidance of deception to the purchasing public and the prevention of mere trafficking in trade marks.

The recommendations of the Goschen Committee were substantially embodied in section 22 of the 1938 Act. The section was complicated by an endeavour to minimise the undesirable consequences which the old laws were designed to counter and which could result from changes to the old laws.¹⁹

Prior to considering section 22 and the other sections in the 1938 Act related thereto it is necessary to consider the concept of goodwill itself and then to return to the relationship between trade marks and goodwill.

4. **GOODWILL**

4.1 *The Nature of Goodwill*

The leading case of **The Commissioners of Inland Revenue v Muller & Co's Margarine, Limited**²⁰ left a permanent imprint upon the law relating to goodwill in the United Kingdom.

In that case, **Lord Macnaughten** said of goodwill²¹:

19. Lloyd & Bray Kerly 7th ed. 354.

20. The Commissioners of Inland Revenue v Muller & Co.s Margarine, Limited 1901 A.C. 217.

21. At p 223 - 224 of the report.

It was argued that if goodwill be property, it is property having no local situation. It is very difficult, as it seems to me, to say that goodwill is not property. Goodwill is bought and sold every day. It may be acquired, I think, in any of the different ways in which property is usually acquired. When a man has got it he may keep it as his own. He may vindicate his exclusive right to it if necessary by process of law. He may dispose of it as he will - of course under the conditions attaching to property of that nature.

What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates. Goodwill is composed of a variety of elements. It differs in its composition in different trades and in different businesses in the same trade. One element may preponderate here and another element there. To analyze goodwill and split it up into its component parts, to pare it down as the Commissioners desire to do until nothing is left but a dry residuum ingrained in the actual place in which the business is carried on while everything else is in the air, seems to me to be as useful for practical purposes as it would be to resolve the human body into the various substances of which it is said to be composed. The goodwill of a business is one whole, and in a case like this it must be dealt with as such.

For my part, I think if there is one attribute common to all cases of goodwill, it is the attribute of locality. For goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business. Destroy the business, and the goodwill perishes with it, though elements remain which may perhaps be gathered up and revived again. No doubt, where the reputation of a business is very widely spread or where it is the article produced rather than the producer of the article that has won popular favour, it may be difficult to localise goodwill.

In the same case **Lord Lindley** had the following to say concerning goodwill:

Goodwill regarded as property has no meaning except in connection with some trade, business or calling, In that connection I understand the word to include whatever adds value to a business by reason of situation, name and reputation, connection, introduction to old customers, and agreed absence from competition, or any of these things, and there may be others which do not occur to me. In this wide sense, goodwill is inseparable from the business to which it adds value, and, in my opinion, exists where the business is carried on.

*Such business may be carried on in one place or country or in several and if, in several, there may be several businesses, each having a goodwill of its own.*²²

The above passages were oft quoted and relied upon and provided the framework about which the courts constructed the relationship between goodwill and trade marks. For this reason, I have quoted extensively from the words of his Lordships.

An examination of the *dicta* reveals the following fundamentals:

- 4.1.1 Goodwill is property and can be treated as such subject to the limitations imposed by its nature;
- 4.1.2 Goodwill is not easily defined;
- 4.1.3 The essence and value of goodwill lies in its power to bring in custom to the business of which it is a part;
- 4.1.4 Goodwill is comprised of various elements which vary in preponderance from business to business but which together comprise a whole which must be dealt with as such;

22. At p 235 of the report.

- 4.1.5 Goodwill cannot exist unconnected to a business and, as a general rule, takes the locality of the business concerned;
- 4.1.6 Where a business is carried on in several places a separate goodwill can attach to the business at each of its localities;

According to **Cookson**²³ - who subscribes to **Lord Macnaughten's** approach - a business has only one goodwill comprising a single inseparable asset. The only favourable argument for multiple goodwills within a single business can be derived from the fact that historically goodwill has been treated along territorial lines as if there is a separate property in a business's goodwill in each country or in the jurisdiction of each legal system where it does business.²⁴

In different businesses, goodwill may be formed by a different mix of components which contribute in varying degrees to the overall reputation of the business. According to **Cookson** these components are the keys to goodwill. They are not the goodwill itself but symbols representing the goodwill. Examples of these keys are:

- 4.1.7 The locality of the business and its premises;
- 4.1.8 The telephone numbers of the business;
- 4.1.9 The trade marks of the business;
- 4.1.10 The research and development programmes of the business;
- 4.1.11 The employees of the business;
- 4.1.12 The customer lists of the business.²⁵

23. Cookson [1991] 7 E I P R 248 - 252.

24. Cookson 248.

25. Cookson 249 - 250.

The author suggests that it is misleading to attribute an independent value to any particular key insofar as they are merely, as already observed, symbols of the goodwill of the business.²⁶

Within the context of the indivisibility and inseparability of goodwill as an asset of a business, it must be noted that the Statement of Standard Accounting Practice (SSAP) 22 of the United Kingdom suggests that goodwill is the difference between the value of a business as a whole and the aggregate of the fair values of its separable net assets. This is, of course, a definition of "value". Of goodwill, it says no more, **Cookson** states, than that goodwill is an inseparable asset of a business.²⁷

A number of questions arise which require the fundamentals laid down in **Muller & Co's Margarine** case to be tested - as will appear from the paragraphs which follow.

4.2 *Assignment of Goodwill*

As goodwill is property it is capable of ownership and transfer and can be mortgaged or charged to raise money.²⁸

As personal property, goodwill can be transferred by assignment, transmitted under will or intestacy or by operation of law. The traditional restriction must, however, be borne in mind: goodwill cannot be assigned or otherwise dealt with in gross and must remain under the same ownership as the business to which it relates.²⁹

26. Cookson 250.

27. See Cookson 248. There are a number of methods by means of which the value of goodwill can be determined : see for instance McCarthy *Trade Marks and Unfair Competition* 77 - 84.

28. Cookson 250.

29. See Wadlow *Law of Passing Off* 88.

4.2.1 *Assignments in Gross*

The following form of dealing with goodwill would be regarded as inherently deceptive at common law and would confer no rights upon third parties against the world at large:

4.2.1.1 Where the owner of goodwill grants a third party the right to use a mark appurtenant to the goodwill, which is distinctive of the owner alone;

4.2.1.2 Where an assignor purports to assign goodwill without at the same time transferring the business connected with the goodwill transferred.

The reason for denying validity to such dealings with goodwill in gross is one of public policy : the public must not be confused.³⁰

4.2.2 *Valid Assignments of Goodwill*

Where a valid assignment of goodwill takes place the effect thereof between the parties is to confer upon the assignee the exclusive right to carry on the business with the goodwill assigned and to represent himself as the party entitled to carry on that business.

As against the world at large an assignment of goodwill with the business to which it relates places the assignee in the position formerly enjoyed by the assignor - notwithstanding such residue of association between the business assigned and the assignor personally which remains in the public mind. It is for the assignee to satisfy the public that he is carrying on the same business and that the public can expect the same attention and quality of goods and/or services as were

30. See the *dictum* of Fry, LT, in *Pinto v Badman* set out at p 167-169 *supra* and Wadlow *Law of Passing Off* 89.

provided before. Any *de facto* deception arising in this way pursuant to a valid assignment is lawful.³¹

Upon assignment the assignee obtains a passing off action against any party impinging upon the goodwill of the business assigned in circumstances comprising a passing off.³²

4.3 *Separate Goodwills*

I have observed that in 1901 the House of Lords recognised that an undertaking which has several businesses in different localities or countries can acquire a separate goodwill in respect of each business.³³

In modern business a single undertaking may have separate and distinct businesses each with its own goodwill, determined not by locality but according to separate product lines branded independently in different markets. The separate goodwill is then built up behind the brand or trade marks used specifically in those markets.

On the other hand the activities of an undertaking may be grouped together and associated in the minds of consumers under a house mark or corporate logo which unites goodwill generated under separate marks used in connection with the different products or services of the undertaking into a unity representing a single business.

As will be observed in paragraph 4.4. it is often said that trade marks symbolise the business in the goods or services in connection with which they are used.

31. See Wadlow *Law of Passing Off* 91 - 92.

32. As laid down by Lord Diplock in *Erven Warnick B.V. and Another v V.J. Townsend & Sons (Hull) Limited and Another* [1980] R.P.C.31 93.

33. See the *dictum* of Lord Lindley quoted at p 172 *supra*.

From the point of view of assignment of these trade marks and the connected goodwill, the marks are more easily divested without public confusion arising where separate goodwills exist at different business localities or in different markets. Where, however, the marks and goodwill have been unified under a house mark or corporate logo, an endeavour to split off or assign one of the trade marks from the global goodwill of the undertaking could lead to public confusion and deception to such a degree that the mark could be lost.³⁴

Thus, in dealing with marks it is essential to consider the question of accompanying goodwill if damage to both is to be avoided.

4.4 *Trade Marks as Symbols of Goodwill*

In Chapter Four of this work it is made clear that the contemporaneous decisions in **Spalding v Gamage**³⁶ and **Hanover Star Milling Co v V Metcalf**³⁷ aptly illustrate the once well established principle in both British law and the law of the U.S.A. that a trade mark has no existence apart from the goodwill of the business in the goods or services in connection with which the mark is used and in passing-off and common law trade mark infringement actions this is where the property impinged upon is situated.

The common law infringement action in respect of unregistered trade marks was abolished by section 2 of the 1938 Act but the passing off action remained

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34. In the sense that it loses the essential quality of distinctiveness. See Gold & Nicholls (eds) *Trade Mark Handbook* 16.1.6 Rel 2 [1992] regarding the discussion under paragraph 4.3.
36. See p 77-81.
37. See p 81-83.

available in regard to the passing off of unregistered marks.³⁸ That the property damaged was not the unregistered trade mark but the goodwill in the business in respect of which the unregistered mark was used led to the notion that, insofar as a trade mark had no existence apart from the goodwill in the business in the goods or services in respect of which it was used, the trade mark could be regarded as symbolising that goodwill to which it was inseparably attached. The trade mark was seen as merely one means by which goodwill could be identified, bought, sold and made known to the public.

This view restates the approach that there is no property in a trade mark in gross - trade marks serve merely as appurtenances to an established business or trade in connection with which they are employed.

As to the general concept that trade marks symbolize goodwill the following passage from **McCarthy** is illuminating:

*Good will and its symbol, a trademark, are inseparable. Trademark has no independent significance apart from the good will it symbolises. If there is no business and no good will, a trademark symbolises nothing. For this reason, a trademark cannot be sold or assigned apart from the good will it symbolises.*³⁹

What is meant when it is said that trade marks symbolise goodwill is succinctly stated thus by **Gold & Nicholls**:

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38. Section 2 of the 1938 Act as amended provided: 2. *No action for infringement of unregistered trade mark: No person shall be entitled to institute any proceedings to prevent, or to recover damages for, the infringement of an unregistered trade mark.*
In respect of service marks the Act referred to an unregistered service mark.
39. **McCarthy Trademarks and Unfair Competition** 76.

*Once a trade or service mark has been used to promote a product or service, it starts to acquire real value because it represents and symbolises goodwill. As the reputation of a product or service grows, the more likely it becomes that customers will want to acquire that product or obtain that service. To do so they will have to refer to it by name and so the mark (or brand name) comes to represent the goodwill associated with the product or service.*⁴⁰

4.5 *Intrinsic Value in Trade Marks per se*

Consider a purchaser making a choice amongst competing brands in circumstances where he is not familiar with any of them and their pricing is identical.

Something intrinsic to the trade marks or packaging or get-up of the goods will determine the buyer's subjective decision as to which product to buy. Where his choice is determined by the appeal to him of the trade mark featured in relation to the product chosen the question arises: what is this intrinsic attractive force of the trade mark and does it have a value expressible in economic terms?

In other words can a trade mark have a value of its own distinguishable from the goodwill of the business in the goods or services in connection with which it is used and purportedly symbolises?

In regard to the foregoing the following words of **Justice Frankfurter** are relevant:

The protection of trademarks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he

40. See Gold & Nicholls (eds) *Trade Mark Handbook* 16.1.1 Rel 2 [1992].

*has been led to believe he wants. The owner of a trademark exploits this human propensity by making every human effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same : to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.*⁴¹

In other words the "congenial symbol" which led the purchaser we considered at the outset to choose one unknown product above another acquires, it seems, a value only when it functions in this manner to a degree where its drawing power becomes an established fact in the marketplace and a goodwill in the activity with which the mark is connected becomes apparent.

As will be seen when this work deals with the law of the United States most relevant to the topic of this thesis, the idea that a trade mark is something more than a mere symbol of goodwill was persuasively suggested by **Schechter**⁴² and he is quoted in the following relevant passage from **McCarthy**:

In fact, a trademark may be more than a mere symbol of good will, it may itself be an instrument for creating good will. "To describe a trademark merely as a symbol of good will, without recognising it as an agency for actual creation and perpetuation of good will, ignores the most potent aspect of the nature of a trademark and that phase most in need of protection". When an article bearing a trademark is sold, the good will which that trademark symbolises is a factor in making the sale. As Justice Frankfurter said, when a customer's psychological reaction to the trademark symbol is favourable, "the trademark owner has something of value".

41. In *Mishawaka Rubber & Woolen Mfg. Co. v S.S. Kresge Co.* 316 U.S. 203 [1942].

42. See Schechter [1970] T.M.R. 334 - 352. See also p 482-489 *infra* regarding the advertising, goodwill and communication functions.

*This "something of value" is most usually characterised as "good will".
"Good will" is the best semantic term we have to describe the consumer
recognition or drawing power of a trademark.*⁴³

It appears that **Schechter** is referring to one of the multiple ways in which a trade mark can function rather than necessarily to a specific element of reasonable economic value inherent in the trade mark.

The more functions a particular trade mark performs in a business will no doubt render it more valuable to the business concerned. It is an open question whether a specific economic value can be attributed in a scientific manner to each input the trade mark makes to the undertaking.⁴⁴

4.6 *Goodwill in Brands*

The possibility of there being separate goodwills in separate businesses represented by separate brands emanating from the same undertaking but applied in separate markets has already been mentioned. Where this is so, each brand represents a separate goodwill. Under the Statement of Standard Accounting Practice (SSAP) 22 of the United Kingdom, trade marks are treatable as separate net assets and under the Companies Act of the United Kingdom, trade marks and other intangible assets can be valued and included, as intangible assets, in the balance sheets of a company.

43. McCarthy *Trademarks and Unfair Competition* 71 - 72.

44. Trade Mark functions are discussed in chapter 15 where the attractive force of trade marks are considered in a less restricted context.

The valuation of trade marks and brands by the accounting profession has now become commonplace. This clearly represents a major inroad into the traditional approach that trade marks are not distinguishable from the goodwill of an undertaking as a whole and are not separately identifiable intangible assets.

Cookson, however, warns that for goodwill in a business to be maintained, there must be input in many areas such as marketing, product development, advertising and the like. She points out that if one of the keys relating to the goodwill in any particular brand suffers serious change the goodwill in the brand could decline although the trade mark itself remains unchanged.⁴⁵

Jacob, Kitchin & Mellor also sound a warning. Pointing out that the accounting approach to goodwill is not necessarily congruent with the approach the law adopts in the context of passing off they state:

*Currently, there are moves within the accounting profession to include the goodwill associated with important company brands as separate items in the balance sheets of the company. Whilst this can be done in theory, there are dangers both from an accounting point of view and from a legal perspective. The accountancy danger is that such an exercise could lead to over-valuing a company, not only because there would be a risk that the goodwill of the company generally might be over-valued. The legal danger is that businessmen will tend to regard the goodwill of the brand as an asset which can be used, borrowed against or otherwise dealt with just as in the case of any other assets. But goodwill poses special problems : the general common law rule that it cannot be divorced from the business, although now relaxed in some cases, is founded on an innate feeling about the nature of goodwill itself. Thus, unless there are very special licensing provisions, the goodwill of a brand is not a suitable security for a loan : the lender would not be sure of his security.*⁴⁶

45. See Cookson 250 - 251.

46. Jacob, Kitchin & Mellor *First Supplement to Kerly* 30 - 31.

From the perspective of this work it is indeed the manner in which the law treats trade marks, goodwill and the relationship between them which must be afforded primacy. Insofar as the realities of the marketplace clearly suggests that the role of the trade and service mark as they now function in fact in modern commerce might not enjoy the law's proper patronage these matters raised in the present chapter will require further consideration in later chapters which deal with functional theory.⁴⁷

4.7 *Reputation and Goodwill*

Wadlow points out that goodwill is a form of legal property which is distinguishable from mere reputation, though the concepts are closely related. A business with goodwill must have a reputation but the fact that a person, mark, product or business name has a reputation does not necessarily imply that a goodwill recognisable at law attaches thereto. **Wadlow** relies on the **Budweiser** case.⁴⁸

In that case the Plaintiffs' beer, sold under the trade mark BUDWEISER was known to a substantial number of people in the United Kingdom as a beer brewed by the Plaintiffs in the U.S.A.. The question was, however, that as this reputation was associated with a beer which nobody could buy in the United Kingdom at that time, could it then be said that the Plaintiffs had a local goodwill which the law would recognise? The Court found that the Plaintiffs' reputation in the mark had been acquired otherwise than through advertising directed at the United Kingdom market and that the Plaintiffs had no goodwill and had suffered no damage in the United Kingdom. Thus, there had not been a passing-off.⁴⁹

47. See chapter 15.

48. *Anheuser-Beusch Inc. v Budejovicky Budvar Narodine Podnik* [1984] FSR 413. See *Wadlow Law of Passing Off* 45.

49. Per Oliver J at p 470 - 471 of the report.

Wadlow points out that a reputation can be relevant to goodwill, trade marks and passing-off in the following respects:⁵⁰

- 4.7.1 Proof of a reputation in a mark can assist in showing that it is recognised as being distinctive by a sufficiently large proportion of the public;
- 4.7.2 The presence of a reputation can assist in showing the possible presence of goodwill;
- 4.7.3 The Plaintiff can show damage if the goods passed off are inferior to the genuine goods having a sound reputation.

As reputation alone is not property, it cannot be assigned or otherwise dealt with as property.⁵¹

4.8 *International Goodwill*

This paragraph considers the law in the United Kingdom in those circumstances where it is alleged that the reputation and goodwill attached to a famous mark has become international and therefore transcends national borders.

According to **Mostert** there is a line of cases in the United Kingdom recognising and protecting "international" goodwill and reputation whilst there is another "hard" line of cases which do not do so.⁵²

In the first line of cases mentioned by **Mostert**⁵³, the Courts protected an international goodwill without requiring the support of customers, actual trade, or business activity of substance in the United Kingdom before granting relief.

50. See Wadlow *Law of Passing Off* 45.

51. See Wadlow *Law of Passing Off* 46. But see also p 295-300 *infra*.

52. Mostert [1989] 12 EIPR 440 - 448, 441.

53. *Poiret v Jules Poiret Ltd. and AF Nash* [1920] 37 R.P.C. 177; *Baskin Robbins Ice Cream Co. v Gutman* [1976] F.S.R. 545; *Sheraton Corporation of America v Sheraton Motels Ltd.* [1964] R.P.C. 202.

In the hardline cases -which include the **Budweiser** case discussed above - the Courts found insufficient business activity or reputation to found a protectable goodwill in the United Kingdom.⁵⁴

In my view the cases mentioned by **Mostert**, although divergent, are not irreconcilable. What is required is that the Plaintiff must show a right of property in the United Kingdom which the Defendant is infringing. A measure of reputation or business activity insufficient to establish this will not sustain relief. The question is one of fact.

4.9 *Shared Goodwill*

In certain circumstances different parties may share goodwill in a name, trade mark or get-up in which event they may, as Plaintiffs, bring proceedings jointly or separately or as representatives of the remainder.⁵⁵ A form of shared goodwill is to be found in certain types of descriptive "class" marks : e.g. Champagne, Sherry, Scotch Whisky and Advokaat.⁵⁶

The question of goodwill as it was dealt with in the **Drinks** cases is best approached from the point of view of the speech of **Lord Diplock** in the **Advokaat** case and particularly the following aspects thereof.

In confirming the view that the action for passing off is based on a property right in the goodwill attached to the

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- 54. The other cases mentioned are *Star Industrial Company Limited v Yap Kwee Kor* [1976] F.S.R. 256 and *The Athlete's Foot Marketing Associates, Inc v Cobra Sports Limited & Another* [1980] R.P.C. 343.
 - 55. See *Drysdale and Silverleaf Passing Off* 51.
 - 56. See *Bollinger (J) and ors. v Costa Brava Wine Co. Ltd.* [1961] R.P.C. 116 (the *Champagne* case); *Vine Products Co. Ltd. v Mackenzie & Co. Ltd.* [1969] R.P.C. 1 (the *Sherry* case); *Erven Warnick B.V. and Anr. v V.J. Townend & Sons (Hull) Ltd. and Anr.* [1980] R.P.C. 31 (the *Advokaat* case) - collectively known as the *Drinks* cases.

Plaintiff's business, **Lord Diplock** identified five characteristics which must be present if the Plaintiff is to succeed in an action for passing off:

*My Lords, Spalding v. Gamage and the later cases make it possible to identify five characteristics which must be present in order to create a valid cause of action for passing off: (1) A misrepresentation (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so.*⁵⁷

Lord Diplock, in approving the **Champagne** case, then stated the following assumptions of fact upon which the **Champagne** case had been decided:

- 4.9.1 Plaintiffs carried on business in a geographical area in France known as Champagne;
- 4.9.2 The Plaintiffs' wine was produced in Champagne, from grapes grown in Champagne;
- 4.9.3 The Plaintiffs' wine had been known in the trade for a long time as "Champagne" with a high reputation;
- 4.9.4 Members of the public or traders ordering or seeing wine advertised as "Champagne" would expect to get a wine produced in Champagne from grapes grown there;
- 4.9.5 The Defendants were producing a wine not produced in that geographical area, which they were selling under the name "Spanish Champagne".

In this regard, **Lord Diplock** stated:

57. Lord Diplock at p 93 of the report.

*These findings disclose a factual situation (assuming that damage was thereby caused to the Plaintiffs' business) which contains each of the five characteristics which I have suggested must be present in order to create a valid cause of action for passing off. The features that distinguish it from all previous cases were : (a) that the element in the goodwill of each of the individual Plaintiffs that was represented by his ability to use without deception (in addition to his individual house mark) the word "Champagne" to distinguish his wines from sparkling wines not made by the champenois process from grapes produced in the Champagne district of France, was not exclusive to himself but was shared with every other shipper of sparkling wine to England whose wines could satisfy the same condition and (b) that the class of traders entitled to a proprietary right in "the attractive force that brings in custom" represented by the ability without deception to call one's wine "Champagne" was capable of continuing expansion, since it might be joined by any further shipper of wine who was able to satisfy that condition.*⁵⁸

What generated the relevant goodwill in the **Drinks** cases was the reputation which the type of product indicated by the particular "class" mark gained in the market by reason of its recognisable and distinctive qualities.⁵⁹

The property affected was not to be found in words such as "Champagne" or "Advokaat" but in the product which was described and distinguished by the word in question. This property was in the hands of the class of manufacturers who were entitled to apply the words to the product.

It will be recalled that the idea of a collective goodwill is not novel and can be traced back to the production marks of the medieval guilds.⁶⁰

5. ASSIGNMENT OF MARKS UNDER THE 1938 ACT

Section 22 (1) provides in regard to trade marks:

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- 58. At p 94 - 95.
 - 59. See p 98 of the report.
 - 60. See chapter 1 p 11, 16.

Notwithstanding any rule of law or equity to the contrary, a registered trade mark shall be, and shall be deemed always to have been, assignable and transmissible either in connection with the goodwill of a business or not.

In regard to service marks section 22 (1) provides:

A registered service mark shall be assignable and transmissible either in connection with the goodwill of a business or not.

Section 22 (2) of the Act provides in regard to trade marks:

A registered trade mark shall be, and shall be deemed always to have been, assignable and transmissible in respect either of all the goods in respect of which it is registered, or was registered, as the case may be, or of some (but not all) of those goods.

Regarding service marks, section 22 (2) of the Act provides:

A registered service mark shall be assignable and transmissible in respect either of all the services in respect of which it is registered or of some (but not all) of those services.

These sections introduced the following concepts to trade mark legislation in the United Kingdom:

- (a) A trade mark could be transferred otherwise than with the goodwill of a business;
- (b) A trade mark could be transferred in connection with only some of the goods or services in respect of which it was registered.

Section 22 (1) was needed to overrule the **Lacteosote** case.⁶¹ In that case a French manufacturer had established a business in the United Kingdom where it had registered the trade mark SIROP FAMEL in connection therewith. The Plaintiffs were later appointed sole distributors of the manufacturer's goods in the United Kingdom and took assignment of the trade mark registration - purportedly together with the goodwill of the business concerned in the goods in respect of which the trade mark had been registered. Plaintiffs failed in an infringement action because the assignment was held not to have been made with the entire goodwill of the business which comprised the manufacture of the goods (by the assignor in France) and the vending of the goods (by the assignees in the United Kingdom). As the goodwill could not be assigned with the vending part of the business only, which was in effect what had happened, the Plaintiffs' use of the mark SIROP FAMEL (and another substantially identical mark which had been registered by the Plaintiff), was held to be deceptive.

5.1 *Assignments without Goodwill*

Trade mark theory at the time of the enactment of the 1938 Act advocated that the public returned to the same goods as identified by a trade mark used in relation thereto and which indicated the origin of the goods. The purchaser would seldom look to establish the actual identity of the manufacturer and would be guided regarding the origin of the goods by the trade mark featured in connection therewith. Thus, if the trade mark was detached from the business of origin, it would be necessary to notify the change in origin through public advertisement of the change. This led to the enactment of section 22 (7) of the Act which had little real effect in practice.⁶²

61. Lacteosote Ltd. v Alberman [1927] 44 R.P.C. 211.

62. See Gold & Nicholls (eds) *Trade Mark Handbook* 16.2.9 Rel 1 [1992].

The section provided regarding trade marks:

Where an assignment in respect of any goods of a trade mark that is at the time of the assignment used in a business in those goods is made, on or after the appointed day, otherwise than in connection with the goodwill of that business, the assignment shall not take effect until the following requirements have been satisfied, that is to say, the assignee must, not later than the expiration of six months from the date on which the assignment is made or within such extended period, if any, as the Registrar may allow, apply to him for directions with respect to the advertisement of the assignment, and must advertise it in such form and manner and within such period as the Registrar may direct.

The Act applied the same strictures to service marks registered thereunder. The essence of the matter was that the assignment of a registered mark without goodwill had to be advertised before the assignment would take effect.

Whether or not to assign a trade mark with or without goodwill required an assessment of the circumstances in each case. There was no difficulty in assigning marks to which no goodwill attached such as unused marks or marks which had fallen into disuse and in connection with which no residue of goodwill remained. Such marks could be assigned without goodwill for obvious reasons and the registry would not require advertisement of the assignment.⁶³

Where a product mark which had always been used in connection with a house-mark or corporate logo was assigned, it was advisable for the assignment to be without goodwill in order to safeguard the goodwill of the house-mark or corporate logo.⁶⁴

It must also be borne in mind that as goodwill remained the basis of the passing off action the assignment of registered trade marks without goodwill meant that the

63. See Gold & Nicholls (eds) *Trade Mark Handbook* 16.2.12 Rel 4 [1992].

64. See Gold & Nicholls (eds) *Trade Mark Handbook* 16.2.10 Rel 2 [1992].

assignee did not have a passing off action in respect of the mark otherwise than in respect of new goodwill generated in connection therewith after the assignment took place.⁶⁵

5.2 *The Assignment of Unregistered Marks*

The purported assignment of an unregistered trade mark in gross was of no effect and the assignment of an unregistered trade mark was similarly regarded where the assignor had no goodwill to assign therewith.⁶⁶

Thus, if an assignee who had taken assignment of a registered trade mark wished to use the trade mark in connection with goods or services in respect of which the mark was not registered but in connection with which the assignor had acquired goodwill through use of the mark in respect of such goods, the assignee had to acquire also this goodwill alongside the registered mark and any other goodwill assigned. The assignee would not in that event obtain an exclusive right to use of the registered trade mark upon the goods or services outside the registered specification in respect of which the assignee had obtained the additional goodwill but would have a passing off action in respect of those goods or services.⁶⁷

5.3 *Section 22 (3)*

Section 22 (3) of the Act provides in regard to trade marks:

The provisions of the two foregoing subsections shall have effect in the case of an unregistered trade mark used in relation to any goods as they have effect in the case of a registered trade mark registered in respect of any goods, if at the time of the assignment or transmission of the unregistered trade mark it is or was used in the same business as a registered trade mark, and if it is or was assigned or transmitted at the

65. Star Industrial Company Ltd v Yap Kwee Kor [1976] F.S.R. 256.

66. Thorneloe v Hill [1894] 11 R.P.C. 61 70; Harness T.M. [1900] 17 R.P.C. 40.

67. See Gold & Nicholls (eds) *Trade Mark Handbook* 16.2.1 Rel 1 [1992].

same time and to the same person as that registered trade mark and in respect of goods all of which are goods in relation to which the unregistered trade mark is or was used in that business and in respect of which that registered trade mark is or was assigned or transmitted.

In the corresponding section relating to service marks, the Act provides:

The provisions of the two foregoing subsections shall have effect in the case of an unregistered service mark used in relation to any services as they have effect in the case of a registered service mark registered in respect of any services, if at the time of the assignment or transmission of the unregistered service mark it was used in the same business as a registered service mark, and if it is assigned or transmitted at the same time and to the same person as that registered service mark and in respect of services all of which are services in relation to which the unregistered service mark is used in that business and in respect of which that registered service mark is or was assigned or transmitted.

Section 22 (3), therefore, applies the provisions of sections 22 (1) and 22 (2) to unregistered trade marks.

Section 22 (3) did not mean that goodwill in an unregistered mark could only be transferred in circumstances where at least one registered mark was transferred therewith simultaneously in respect of the same goods or services.

The section applied where transfer of the unregistered mark did not include goodwill or included some of the goodwill only, or where only some of the goods or services in respect of which the mark had been used were transferred with the mark. Essentially the section permitted the assignment of unregistered marks in gross together with registered marks.

It is to be noted that a pending application was an unregistered mark for the purposes of section 22 (3). Thus, assignment of a pending application - which was regarded as the transfer of the goodwill symbolised by the

mark - would not be recorded by the registry without simultaneous assignment of another mark for the same goods or services to the same assignee. Upon registration of the pending application, however, the registrar would record an assignment based on a document purporting to assign the pending application executed prior to its registration.⁶⁸

5.4 *Associations*

In terms of sections 22 (2) and 22 (2A) of the Act, the Registrar would require association of registrations where he considered them to be for similar goods or services and believed that they could not have been separately registered except in the name of the same owner. Where the Registrar was of the view that the foregoing considerations no longer applied and no likelihood of confusion or deception would arise if the registrations were used by different proprietors, the registrar could dissolve the association. Associated marks could not be assigned separately.⁶⁹

6. *LICENSING*

Under section 87 of the 1883 Act any registered proprietor could grant licenses and otherwise deal therewith subject to equities. The relevant part of the section provided:

87 The person for the time being entered in the register of patents, designs, or trade marks, as proprietor of a patent, copyright in a design, or trade mark, as the case may be, shall, subject to the provisions of this Act and to any rights appearing from such register to be vested in any other person, have power absolutely to assign, grant licenses as to, or otherwise deal with, the same, and to give effectual receipts for any consideration for such assignment, license, or dealing. Provided that any equities in respect of such patent, design, or trade mark may be enforced in like manner as in respect of any other personal property.

68. See Gold & Nicholls (eds) *Trade Mark Handbook* 16.2.3 Rel 2 [1992] from which source the discussion in paragraph 5.3 was derived.

69. See sections 23 (3), 23 (2A), 23 (5) and 23 (1) of the 1938 Act as amended. See also sections 22 (5) and 22 (6) regarding "splitting" assignments

Sebastian observed that the power of granting licenses had not to be exercised so as to deceive the public. In his view the power to licence trade marks was in conflict with section 70 of the Act which appeared to him to intend that only the person entitled to the goodwill connected therewith should have the right to use the mark. It will be recalled that section 70 provided also that a trade mark would be determinable with the goodwill of the business concerned in the particular goods in respect of which the mark was registered.⁷⁰

This approach was taken up in the 1905 Act which contained no provision for the registered proprietor of a trade mark to grant licences. A trade mark was to be used in connection with the goods of the registered proprietor. If it were to be used in relation to the goods of any other person this would lead to deception.⁷¹

6.1 *Licensing and the 1938 Act*

In the law immediately prior to the coming into force of the 1994 Act trade mark licences could be either registered or unregistered. In the case of registered licences the licensee was recorded as a registered user of the mark under section 28 of the Act. The provisions of section 28 were not mandatory and unregistered licensing was not therefore prohibited.⁷²

6.1.1 *Registered Licences*

A licensee could be recorded as registered user in respect of all or certain of the goods or services covered by the registration and with or without restrictions as to how the mark was to be used.⁷³

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- 70. See Sebastian *Trade Marks* 366; See also p 62 regarding section 70.
 - 71. See Blanco White & Jacob *Kerly* 12th ed. 252.
 - 72. See Bostitch TM [1963] R.P.C. 183.
 - 73. Section 28(1).

6.1.2 *Consequences of Recordal*

The permitted use of a registered mark - which was use thereof according to the terms upon which the registered user was recorded in the registry - was deemed to be use of the mark by the registered proprietor thereof and not by any other person (including the registered user).⁷⁴

The registered user could himself sue an infringer if the proprietor refused to do so within two months of a request for intervention made to the proprietor by the registered user. This provision could be excluded by agreement.⁷⁵

Essentially, if the proprietor of a trade or service mark wanted to ensure that his rights in the mark were maintained and even extended under the licence he needed to ensure that all the goodwill generated through use of the mark accrued to himself in law and not to the licensee. Attainment of this objective could be greatly enhanced by recording a registered user arrangement in respect of the licence under the Act.

6.1.3 *Obtaining Recordal*

The statutory provisions relating to registered users applied only to registered marks.⁷⁶

Obtaining the recordal of a registered user was not a mere formality in terms of the Act. The Registrar had to decide in the exercise of his discretion whether an agreement placed before him for recordal was against the

74. Sections 28(2) and 68(1).

75. Section 28(3). See Cornish *Intellectual Property* 469 - 470 and Gold and Nicholls (eds) *Trade Mark Handbook* 17.2.2 and 17.2.3 Rel 0 [1991].

76. See Blanco White and Jacob *Kerly* 12th ed, 252.

public interest in which event he could refuse the application. In terms of section 28 (4) (a) the proprietor and the registered user had to apply jointly for the arrangement to be recorded and the applicants had to furnish particulars of the degree of control which the proprietor would exercise over the permitted use. In practice the Registrar's enquiry was then directed at whether the proposed permitted use would indicate some connection in the course of trade or business between the registered mark and its proprietor.⁷⁷ The requisite control could be established by the presence of control provisions applicable between the licensor and the licensee, a parent and subsidiary relationship or other suitable group arrangement between corporate bodies or by means of other appropriate circumstances such as use of the mark appurtenant to a patent licence.⁷⁸

6.1.4 Trafficking

Lord Brightman defined trafficking thus in the leading case of **Holly Hobbie T M**⁷⁹:

To my mind, trafficking in a trade mark context conveys the notion of dealing in a trade mark primarily as a commodity in its own right and not primarily for the purpose of identifying or promoting merchandise in which the proprietor of the mark is interested.

In the Court of Appeal **Sir Denys Buckley** said of trafficking:

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- 77. See section 28(4) (5). Cornish *Intellectual Property* 470. Norman [1994] E.I.P.R. 154 - 158 154.
 - 78. Where there was no *de facto* application of control provisions the use of a registered mark by a registered user was not permitted use thereof under the Act : McGregor Clothing Co's T M [1979] R.P.C. 36. See also Gold and Nicholls (eds) *Trade Mark Handbook* 17.2.1 Rel 0 [1991]; Radiation T M [1930] 47 R.P.C. 37; Revlon Inc. v Cripps & Fee Ltd. and ors. [1980] F.S.R. 85; The reference to a connection in the course of trade or business in the text refers to the definition of trade and service marks in section 68(1).
 - 79. Holly Hobbie T M [1984] R.P.C. 329 356 - 357.

*In my judgment "trafficking" in section 28 (6) extends to any conduct carried out or intended to be carried out in respect of a mark or a proposed mark with a view to commercial gain which is not a bona fide exploitation of that mark in pursuance of the true function of a trade mark, viz. its use in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as proprietor or as a registered user to use the mark [Trade Marks Act 1938, Section 68 (1)].*⁸⁰

This case concerned character merchandising. An apt description of the activity was provided by **Dillon LJ.** in the Court of Appeal:

*A person who has a popular fictional character to exploit, for instance, a fictional character from a film or television series or book or drawing, does so by granting licences to use the character, its name, and relevant copyright material, usually on a royalty basis, to licensees who wish to promote their own goods by using the fictional character in association with those goods.*⁸¹

The applicants had sought registration of the trade mark HOLLY HOBBIE in twelve classes in the United Kingdom under section 29 (1)(b) of the Act and each application was accompanied by an application for registration of a producer of relevant goods in each class as registered user of the mark. The proprietor of the trade mark had no trading connection with goods in a number of the classes in which registration of the mark had been sought. Despite provisions in the user agreements for quality control the Court found that trafficking was intended and refused to register such applications as were contrary to section 28 (6) of the Act.⁸² This section provided:

80. At p 347 of the report.

81. At p 339 of the report.

82. The quality control had to be actual and not merely potential. See Norman [1994] 4 EIPR 154 - 158.

*[28 (6)] The Registrar shall refuse an application under the foregoing provisions of the section if it appears to him that the grant thereof would tend to facilitate trafficking in a trade mark.*⁸³

Thus in terms of the Act the Registrar could refuse to register that which he believed would facilitate trafficking - which term was not defined in the Act.

In the context of the law under the 1938 Act **Gold and Nicholls** place the question of trafficking and character merchandising in proper perspective:

*In order to appreciate the relevance of this anti-trafficking provision [i.e. s 28 (6) of the Trade Marks Act 1938] it is necessary to recognise that trade and service marks are currently used in a range of ways. The traditional role of the mark is to indicate the origin of the goods and that the owner is responsible for the quality of the goods. The mark used in this traditional role acts as a signpost to the customer so that he may purchase again products with which he has been satisfied. At the other end of the spectrum, marks are used to "decorate" the goods. This is essentially the area of character merchandising, although not all the marks used in this manner are characters. Indeed many are trade marks representing goodwill in a business in a primary product but which are being used on other goods.*⁸⁴

In view of the importance which the so-called advertising function of trade and service marks has taken on in the modern law - to which the concept of character merchandising is linked - the latter topic will be revisited in the discussion of the South African law and in that chapter of this work which deals specifically with the function of trade marks.⁸⁵

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- 83. Regarding service marks the provision is identical save that "service mark" replaces "trade mark" in the text.
 - 84. Gold and Nicholls (eds) *Trade Mark Handbook* 17.1.6 Ref (0) [1991].
 - 85. See chapter 15.

6.2 Unregistered Licences

Although the registered user provisions of the 1938 Act were not the only legitimate way in which effect could be given to a trade mark licence at the time, that this should be the case underpinned the approach of the Goshen Committee which recommended the enactment of the registered user provisions of the 1938 Act to prevent unregistered licences deceiving the public and vitiating trade marks.⁸⁶

The Committee after careful consideration of the evidence decided that the trend of modern commercial development required some relaxation of the then existing restrictions on the use of registered trade marks by persons other than the proprietor.

*However, the Committee were unwilling to recommend a system of unrestricted licensing as such a system might result in deception and confusion of the purchasing public. It was considered essential that the right to use another's trade mark should not be obtainable merely at the will of the registered proprietor but should, in the public interest, be subject to limitation and control.*⁸⁷

The Courts proceeded from a position of disapproving licences to a position where unregistered licences were regarded legitimate under certain circumstances. **Cornish** reviews the relevant spectrum of cases thus:

Among the earlier decisions disapproving of licensing, the most difficult is Bowden Wire Ltd v. Bowden Brake. The House of Lords treated a trademark licence as inherently deceptive in leading the public either to believe that goods bearing the mark were its proprietor's when they were not, or that the mark had come through use to indicate the licensee, not the proprietor. That case must now be read in the light of the Lords' decision in "G E" Trade Mark : a mark will be expungeable for subsequent deceptiveness only if its proprietor has been guilty of

86. See Cornish *Intellectual Property* 471; The Report of the Goshen Committee [1934] Cmnd 4568.

87. Per Lloyd and Bray *Kerly* 7th ed. 368.

blameworthy conduct sufficient to render it disentitled to protection in a Court of Justice. Possibly the Bowden case, if indeed it has any relevance to the law under the 1938 Act, supports the following proposition : where the proprietor of a mark permits another to use it without retaining any power to control the products that are to bear the mark, and there are no countervailing explanations to excuse this, the mark will become liable to removal. This might, for instance, be so if both licensor and licensee continued to produce similar goods under the mark without any quality supervision by the former of the latter, or even if the owner made no real effort to enforce a quality control agreement. On the other hand, there are decisions upholding marks in the following circumstances, which in essence were treated as involving no blame : allowing a retailer to use the name of the supplier of goods on other goods during a period when the supplier was prevented from supplying his own; and allowing a British importing agent to use his foreign manufacturer's mark on goods which he himself made in Britain, the intent being to keep the business alive even though imports were prevented by war. A fortiori it might now be said that there is nothing blameworthy in unregistered licensing under conditions of quality control, as in the case already mentioned.⁸⁸

Insofar as licensing arrangements involving trade and service marks entailed a change in the trade or business connection between the proprietor and the goods or services concerned - for instance from the direct link of manufacture to an indirect link involving a control relationship between the proprietor and manufacturer - such licensed use could be regarded deceptive.

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88. Cornish *Intellectual Property* 471 - 472. The leading cases were: *Bowden Wire Ltd v Borden Brake Co. Ltd* [1914] 31 R.P.C. 385; *G.E. Trade Mark* [1973] R.P.C. 297; *Bostitch T M* [1963] R.P.C. 183; *Cluett Peabody & Co., Ltd. v McIntyre Hogg Marsh & Co., Ltd.* [1958] R.P.C. 355; *Manus Aktiebolaget v R.J. Fullwood & Bland Ltd.* [1948] 65 R.P.C. 329, [1949] 66 R.P.C. 71. It must be remembered that the *Bowden Wire* case was decided with reference to section 22 of the 1905 Act and section 70 of the 1883 Act. See also *Blanco White and Jacob Kerly* 12th ed. 252 - 254; *Norman* 154 - 158.

Section 62 of the 1938 Act was therefore enacted specifically to render the matter certain.⁸⁹ It provided in regard to trade marks:

62 Change of form of trade connection not to be deemed to cause deception

The use of a registered trade mark in relation to goods between which and the person using it in any form of connection in the course of trade subsists shall not be deemed to be likely to cause deception or confusion on the ground only that the trade mark has been, or is, used in relation to goods between which and that person or a predecessor in title of his a different form of connection in the course of trade subsisted or subsists.

In regard to services section 62 provides:

The use of a registered service mark in relation to services between the provision of which and the person using it any form of connection in the course of business subsists shall not be deemed to be likely to cause deception or confusion on the ground only that the service mark has been, or is, used in relation to services between the provision of which and that person or a predecessor in title of his a different form of connection in the course of business subsisted or subsists.

Whether the licensing arrangement was recorded under the Act or not, its essential feature had to be that the degree of control imposed by the licensor was such as to ensure that the goodwill generated by all the licensed use of the mark ultimately accrued to the licensor in a consolidated whole.⁹⁰

7. IN SUM

From the point of view of assignments and licensing of trade marks two premises underpinned early trade mark law in the United Kingdom:

89. See Blanco White and Jacob Kerly 12th ed. 255.

90. See Gold and Nicholls (eds) *Trade Mark Handbook* 17.1.3 Rel 0 [1991].

- 7.1 a trade mark indicated to the public that the goods in connection with which it was used emanated from a particular undertaking;
- 7.2 the public was not to be confused or deceived by the use of a trade mark.

Thus, trade marks came to be firmly linked with the goodwill in the business in the goods in connection with which the trade mark was used. A break in this link offended the second premise. Hence, for a trade mark assignment to be lawful the goodwill to which the mark was appurtenant had to be assigned together with the trade mark. Still, this did not necessarily make the assignment lawful *per se* for it could still be unlawful if deception or confusion as to origin resulted.

Although licences were permitted subject to equities under the 1883 Act - in apparent conflict with the assignment provisions of the Act - licensing was not provided for in the 1905 Act as it was by then regarded deceptive.

The Courts moved from the position where licensing was regarded inherently deceptive and thus unlawful to an approach where licences performed under the actual control of the proprietor of the trade mark were recognised. Licences which were deceptive due to blameworthy conduct on the part of the proprietor were however regarded unlawful.

As far as goodwill was concerned a further premise arose. Trade marks had no independent value. Property was to be found in the goodwill of the business in connection with which the trade mark was used and which the trade mark 'symbolised'.

The demands of the market place however required the 1938 Act to recognise assignment of trade marks without

goodwill and to provide for trade mark licences - albeit with hesitation, subject to restrictions and by means of complex provisions. At the time of repeal of the 1938 Act traditional approaches to assignments, goodwill and trade mark licencing remained under pressure. Modern commerce had recognised intrinsic value in trade marks and placed asset value upon brands. Merchandising of goods and services by means of trade marks had become a common feature in need of recognition in law.

In my view such pressures arise from a dogmatic adherence to traditional functional theory and, insofar as they continue, indicate that legal recognition of those functions which modern trade marks perform in fact is both necessary and overdue.

These matters are specifically considered in Chapters 15 and 16.

CHAPTER 9

UNITED KINGDOM: TRADE MARKS AND GOODWILL AS PROPERTY

This chapter builds upon the discussion of the topic of property in trade marks in Chapter 4 of this work (which dealt with the position during the early part of the 19th century) and extends the treatment afforded to the nature of trade marks and goodwill in Chapter 8.

It also contains a necessary albeit brief discussion of the English law of property - which differs substantially from the property law of civil law systems in which the Roman law concept of *dominium* prevails. This discussion is intended to clarify what English lawyers mean when they speak of "property" and to remind South African lawyers that their conception of property is very different to that of their counterparts in the United Kingdom.

1. CONCEPTS OF PROPERTY IN ENGLISH LAW

The law of property is "*usually regarded as a highly technical and obscure part of English law*".¹

It features special and important classifications and adopts a subtractive approach. Thus property *in toto* minus land (realty) leaves personal property (personalty).²

English law makes a primary distinction between real and personal property, the former being interests in land other than leasehold interests and the latter moveable property together with leasehold interests in land. Real property is often called realty, personal property personalty or chattels, leasehold being, somewhat surprisingly, called chattels real while all other chattels are called chattels personal. The distinction is

1. Lawson & Rudden *Law of Property* Preface v.

2. See Bridge *Personal Property* 1.

*based on historical factors which have no longer any appreciable force; and indeed leaseholds are now always included in books on real property.*³

The distinction between realty and personalty does not correspond with the civil law concepts of immovable and moveable property although English choice of law rules take cognisance of the latter classification.⁴

The deep and characteristic division in English property law between land and personal property came about through the particular historical development of land law in mainly three respects.

Firstly, after the Norman Conquest all land was subject to feudal tenure and was thus held from or through the Crown.

*The major tenants-in-chief held land directly from the Crown in return for feudal dues and service. By a process of subinfeudation, lesser tenants held portions of the same land from the tenants-in-chief on similar terms and so on ... The systems of tenure, expressed through the doctrine of estates, is very much in place today, though feudal dues as such no longer exist. No such structure of ownership ever applied to property other than land.*⁵

Secondly, higher interests in land such as the fee simple were protected at law by the real actions which enabled the owner to recover the land if he were wrongfully dispossessed. Personal property on the other hand could not be recovered *in rem* until enactment of the Common Law Procedure Act, 1854.

Thirdly, the rules relating to descent on death differed for land and personalty until the enactment of the Administration of Estates Act, 1925.⁶

3. Lawson & Rudden *Law of Property* 19.

4. See Bridge *Personal Property* 7.

5. See Bridge *Personal Property* 2.

6. See Bridge *Personal Property* 2.

1.1 Personal Property

Personal property is made up of chattels real which in the main comprise leasehold interests in land and chattels personal which are those items of personalty which are not chattels real. Chattels personal comprise two mutually exclusive types namely choses (or things) in possession and choses (or things) in action.⁷

Of this classification **Lawson & Rudden** state:

*Chattels personal are classified as choses ("things") in possession and choses in action according as they can be enjoyed by taking possession of them or only by bringing an action. The term chose in action was first applied to debts, to which alone it is completely appropriate ... However, the term has been extended to all other intangible forms of property, such as patents and copyright. It would in fact be better if the distinction were expressed as one between tangible and intangible things. But, however the distinction may be expressed, it is not always easy to draw. Thus documents which give a right to call for the delivery of tangible things which are known by the name of goods are themselves tangible, but their value depends not on the intrinsic value of the pieces of paper themselves but on the value of the intangible right they symbolise to call for the delivery of the goods.*⁸

1.1.1 Choses in Possession

Choses in possession are tangible moveable things which when they become the subject matter of mercantile dealings are referred to as chattels. However all corporeal moveables are not necessarily chattels. Thus documents of title to land and certain keys are regarded by the law as so closely connected to land as to be regarded appendages thereto. Similarly items which become fixtures to land are treated as part thereof.⁹

7. See *Bridge Personal Property* 3. Since the Law of Property Act, 1925 leaseholds have been recognised as equivalent to other interests in land.

8. *Lawson & Rudden Law of Property* 20.

9. *Bridge Personal Property* 3 - 4.

1.1.2 *Choses in Action*

Choses in action form the residual category of personal property which remains after the elimination of corporeal chattels. The category comprises a diverse range of intangible property such as debts, shares in companies, bills of exchange and other incorporeals including goodwill and intellectual property. There are two sub-categories of choses in action namely documentary intangibles and pure intangibles.

1.1.2.1 *Documentary Intangibles*

Documentary intangibles are instruments or documents which become so identified in law with the obligation embodied therein that the appropriate way of performing or transferring the obligation concerned is through dealing with the document itself. Documentary intangibles take on the characteristics of a chattel so that the rights recorded therein become attached to the document - a tangible thing - such as bills of exchange, promissory notes, bills of lading, share certificates and insurance policies in some circumstances.

1.1.2.2 *Pure Intangibles*

Pure intangibles are incorporeal items to which the law attaches a value and which can be individually disposed of and used as collateral. Thus pure intangibles are something more than a mere contractual expectancy for they feature an exchange value in themselves. Examples of pure intangibles include debts, goodwill and intellectual property.¹⁰

In the context of the enquiry to which this work is

10. See Bridge *Personal Property* 4 - 6 regarding choses in action from which source his discussion has been derived.

directed the *species* goodwill and trade marks are classifiable as choses in action in the nature of pure intangibles.

Regarding goodwill **Lawson & Rudden** observe :

So well established a head of property is it that its value must be taken into account for purposes of taxation. Yet it is an odd kind of property since only the person who has transferred the goodwill can be placed under duty to respect it. He indeed can be restrained from soliciting his former customers and he may also agree not to carry on a competing business. But no third party can be restricted from trading in such a way as to reduce the value of the goodwill.¹¹ Yet as a marketable object goodwill must be considered property.¹²

Lawson & Rudden treat intellectual property as monopolies protected by law. Trade marks and trade names are regarded as perpetual monopolies which amount to nothing more than the right to identify a business or its products and to prevent others from usurping the advantages which derive therefrom. As this kind of property does nothing to prevent or even discourage competitors from producing or trading lawfully there is no reason of public policy why they should not be perpetual.

The temporary monopolies comprising the exclusive rights to exploit patents, industrial designs and copyright all are genuine monopolies insofar as they operate to exclude competition in manufacture, trade or the dissemination of literary or artistic works. As it is the general policy of law to stimulate competition with a view to having things produced and disseminated in the best and cheapest way the law will not grant perpetual monopolies to inventors, artists, authors, composers and the like. The patent, copyright and design systems however grant temporary monopolies to such persons as an inducement to produce.¹³

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11. Save by tortious conduct directed at impairing goodwill.
 12. **Lawson & Rudden** *Law of Property* 33.
 13. See **Lawson & Rudden** *Law of Property* 33 - 34 regarding patents, copyright, trade marks, trade names and industrial designs.

1.1.3 *Dealing with and Transfer of Choses in Action*

As choses in action are intangible they cannot be possessed physically and dealings therewith are subject to the limitations which the nature of this kind of property imposes.

Because they were incapable of being possessed and could not be physically vindicated, entitlements to choses in action were not enforced by the early common law Courts and it fell to equity and the law merchant to give meaning to property of this type.¹⁴

In view of its intangible nature a chose in action can be enjoyed and exploited only through the medium of law which imposes a duty upon third parties to do or not to do something in respect of the chose in action. Although this property has value it cannot be enjoyed as and for itself physically and cannot of course be transferred like a chattel through physical delivery coupled with an appropriate intention to transfer.

Thus choses in action are entitlements arising from obligations that are enforceable by legal action. In order to transfer a pure intangible an assignment is required - the law regarding which is largely a matter of case law with statutory additions.¹⁵

It is to be noted that the common law echewed assignments and it was left to equity to give effect thereto - which it did in two ways. Where the chose in action could be

14. *Bridge Personal Property* 4.

15. See section 136 of the Law of Property Act, 1925 which provides for the absolute assignment of "any debt or other legal thing in action". This does not affect goodwill or trade marks. According to Sheridan *Rights in Security* p 272 footnote 23 : "*There are no other legal things in action beside debts, unless sums of money due under contracts are not counted as debts*". (See however Gold & Nicholls (eds) *Trade Marks Handbook* 16.1.3 Rel 2 [1992] for a contrary view).

asserted only in equity or exclusively in the courts of equity the assignee could take direct action in a court of equity in his own name. If the action was enforceable only at common law the assignee could bring an action in the name of the assignor unless the assignor would not assist. An assignor unwilling to co-operate could then be compelled in equity to allow the assignee to use his name which would entail joinder of the assignor in the proceedings. All parties could thereby be placed before the court and effect given to the law both at common law and in equity.¹⁶

It was not necessary in equity to record an equitable assignment in writing and consideration was not required to support a valid equitable assignment.¹⁷ **Anderson** suggests that as section 205 of the Law of Property Act, 1925 provides that property includes "*anything in action, and any interest in real or personal property*" that an assignment of a trade mark should be recorded in writing. Furthermore if the transaction embodies any contractual rights consideration will be necessary to perfect the agreement.¹⁸

2. *PROPERTY RIGHTS AND OWNERSHIP*

In English law, property rights involve a relationship between an individual and a thing (corporeal or incorporeal), and the effect of this relationship upon the world at large.

*The relation between a person and a thing is called by lawyers a real relation, or relation in rem (from the Latin word res meaning thing) and is distinguished from a personal relation or relation in personam.*¹⁹

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- 16. See Bridge *Personal Property* 4, 112 - 113 in this regard.
 - 17. See Bridge *Personal Property* 114 - 116.
 - 18. See Anderson *Patent World* October 1990 24 - 26 and Bridge *Personal Property* 116. Insofar as this would be under section 136 which relates to the absolute assignment of "debts" or other legal things in action Anderson is not necessarily correct unless a trade mark is a legal thing in action. See footnote 15 p 209 *supra*.
 - 19. Lawson & Rudden *Law of Property* 2. "The law of property deals with the legal relations between people with regard to things." (At p 1).

Property rights are characterised by their universality and it is said that they can be asserted against the world at large - which distinguishes them from personal rights which can be asserted against limited individuals only, such as a contracting party.²⁰

This does not mean that property rights are invincible for the remedies available in the event of infringement of property rights are subject to limitations.²¹

In the case of registered trade marks there is of course the special statutory infringement action available against an infringer whilst in the case of an impingement upon goodwill the common law passing off action is available against the tortfeasor.²²

When it comes to the protection of property interests in English law the approach of the common law is different to that of the civil law because the common law does not feature a notion of ownership in the sense of absolute title as does the civil law.²³

From the point of view of trade marks the terms "owner" and "proprietor" are often used in the statutes and in the parlance of practice to denote the person other than a licensee who is entitled to the rights in both registered and unregistered trade marks.²⁴

This gives rise to the question whether a trade mark can be the subject of ownership *strictu sensu* under the law of the United Kingdom.

20. See Lawson & Rudden *Law of Property* 2 - 3; Bridge *Personal Property* 8.

21. See Bridge *Personal Property* 8 - 9.

22. See Chapters 7 and 8 in this regard.

23. See Bridge *Personal Property* 35.

24. See for instance Blanco White & Jacob *Kerly* 12th ed. paragraphs 1-04, 2-12, 4-05, 5-07, 6-02, 13-17 and section 17(1) of the 1938 Act.

In order to answer the question some clarification as to the concept of ownership in the common law is necessary.

In his celebrated article concerning ownership **Honoré** proceeds by giving an account of what he terms the standard incidents of ownership which ordinarily apply to a person who has the greatest interest in a thing admitted by a mature legal system. By this method he analyses the "liberal" concept of "full" individual ownership.²⁵ **Honoré** defines ownership "provisionally" as the greatest possible interest in a thing which a mature system of law recognises and states:

Ownership comprises the right to possess, the right to use, the right to manage, the right to the income of the thing, the right to the capital, the right to security, the rights or incidents of transmissibility and absence of term, the prohibition of harmful use, liability to execution, and the incident of residuary; this makes eleven leading incidents. Obviously, there are alternative ways of classifying the incidents; moreover, it is fashionable to speak of ownership as if it were just a bundle of rights, in which case at least two items in the list would have to be omitted.

Honoré observes that ownership may be present though some of the incidents are absent. He proceeds thus:

No doubt the concentration in the same person of the right (liberty) of using as one wishes, the right to exclude others, the power of alienating and an immunity from expropriation is a cardinal feature of the institution. Yet it would be a distortion -and one of which the eighteenth century, with its over-emphasis on subjective rights, was patently guilty - to speak as if this concentration of patiently garnered rights was the only legally or socially important characteristic of the owner's position. The present analysis, by emphasising that the owner is subject to characteristic prohibitions and limitations, and that

25. A M Honoré, "Ownership" in Guest *Oxford Essays* 215 - 255. It is clear that Honoré regarded the law of the United Kingdom a "mature legal system" which renders his article relevant to our discussion. The article is also relevant to the law of the U.S.A.: See Becker and Kipnis (eds) *Property* 69 - 70.

*ownership comprises at least one important incident independent of the owner's choice, is an attempt to redress the balance.*²⁶

Insofar as all the incidents mentioned by **Honoré** are not necessarily self-evident the following is to be noted. The right to use refers to the owner's personal use and enjoyment of the thing owned whilst the right to manage refers to the right to decide how and by whom the thing owned shall be used. The right to capital indicates the power to alienate the thing and the liberty to consume, waste or destroy it in whole or in part. The right to security refers to the owner's prospects of remaining owner indefinitely in the absence of insolvency whilst the incident of absence of term refers to the prospect of an indeterminate term of ownership in the absence of a decision to determine the ownership by the owner. The prohibition of harmful use refers to the stricture upon ownership preventing use of the thing owned in a way which is harmful to other members of society. Liability to execution is the liability of the owner's interest to be taken away from him by execution of a judgment debt or on insolvency whilst the residuary character of ownership refers to the reversion to the owner of the rights concerned when limited interests in the thing owned are determined.²⁷

Although it by no means excludes the conclusion, **Honoré's** approach does not provide an immediate objective answer as to whether a trade mark can be owned in a strict legal sense. It is not clear how many incidents can be discarded in testing for ownership or which legal fictions can be made to operate so as to render certain of the incidents applicable to trade marks.²⁸

26. See Honoré 221.

27. See Honoré 221 - 236.

28. Trade marks cannot of course be "possessed" like chattels whilst the view that the trade marks are accessory to goodwill introduces complications: does the owner of a trade or service mark own the goodwill to which the mark is appurtenant and which it symbolises or the registered statutory right (in the case of a registered mark), or both in a commixed whole? See also p 515 *infra*.

Honoré has no conceptual difficulty with the ownership of incorporeal objects such as copyright, goodwill and patent rights to which cases he regards the analogy with the ownership of external material objects close. In the case of copyright - which is a sort of right to exclude others - the notion of ownership applies "in an extended and somewhat weaker sense than that in which it applies to material objects and interests in them whilst in the case of choses in action ownership is to be understood in a still weaker sense".²⁹

Lawson & Rudden in considering what meaning, if any, can be given to the word ownership in English law state:

*It must be said at the outset that the word is not very often used in the professional literature of English law, that is to say, in authoritative writings such as enactments and reports of decided cases; and that where the word owner is sporadically used in statutes it has been given many different meanings, sometimes in the definition sections of the statutes.*³⁰

They also state:

*The value of a thing is inferred from what can be done with it and it is the sum of all that can be done with it that constitutes the content of ownership.*³¹

Regarding the thing owned **Honoré** observes:

'To own' is transitive; the object of ownership is always spoken of as a 'thing' in the legal sense, a res. There is, clearly, a close connection between the idea of ownership and the idea of things owned, as is shown by the use of words such as 'property' to designate both. We ought, apparently, to be able to throw some light on ownership by investigating 'things'.

29. See Honore 237, 239.

30. Lawson & Rudden *Law of Property* 114 and see p 114 - 117.

31. Lawson & Rudden *Law of Property* 8.

However that may be, it is clear that to stare at the meaning of the word 'thing' will not tell us which protected interests are conceived in terms of ownership. When the legislature or courts think that an interest should be alienable and transmissible they will rei-fy it and say that it can be owned, that it is property. They will not say that it can be owned and is a res because of a prior conviction that it falls within the appropriate definition of 'thing'. The investigation of 'things' seems to peter out in a false trail. ³²

It therefore appears that insofar as the concept of ownership has no gestalt in the common law we must attribute a specific common meaning to the concepts of "owner" and "proprietor" in the trade mark law of the United Kingdom at the time of the 1938 Act and before, namely, those entitlements and limitations afforded by the statutes and by the cases to those parties labelled trade or service mark owners (proprietors) according to the accepted nomenclature of the time. These entitlements and limitations are discussed in the next paragraph.

3. *THE G E CASE : PROPERTY IN TRADE MARKS PRIOR TO THE 1938 ACT*

The following points in the speech of **Lord Diplock** in the **G E**³³ Case are germane to this investigation:

- 3.1 Legal recognition of trade marks as a species of incorporeal property was first recognised by the Courts of Chancery during the first half of the 19th century in **Millington v Fox**.³⁴

32. Honoré 236, 238.

33. G E Trade Mark 1973 R.P.C. 297.

34. Millington v Fox [1838] 3 My & Cr 338. Per Lord Diplock at 325 of the report in the G E case; See p 26-27 *supra* for a discussion of Millington v Fox.

- 3.2 The right of property in a trade mark was a monopoly in that it was a right to restrain other persons from using the mark.³⁵
- 3.3 Property in a trade mark was however an adjunct of the goodwill of a business incapable of separate existence dissociated from that goodwill.³⁶
- 3.4 The property was assignable, transmissible and divisible but only along with the goodwill of the business in which it was used.³⁷
- 3.5 Before it could be the subject-matter of property a trade mark had however to be distinctive i.e. recognisable by the purchaser of goods featuring it as indicating the same origin as other goods bearing the mark and whose quality had engendered goodwill.³⁸
- 3.6 Because of its appurtenance to goodwill property in a trade mark could only be acquired by public use whilst the property would be lost by disuse of the mark.³⁹
- 3.7 An accommodation was required between the conflicting interests of the owner of the monopoly, the general purchasing public of goods to which the mark was affixed, and with other traders. This accommodation required that the general public should not be deceived by a mark. Two main deceits were misrepresentation as to the character of the goods bearing the trade mark and misrepresentation as to the origin of such goods.

As far as other traders were concerned their vested rights were protected by the doctrine of honest concurrent user which came about as follows.

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35. See p 325 of the report.
36. See p 325 of the report.
37. See p 325 of the report.
38. See p 325 of the report.
39. See p 326 of the report.

It was recognised that in the circumstances of mainly local trade, conflicting trade marks could be honestly adopted and could acquire goodwill in a particular area - yet conflict when the product came into competition in a larger non-localised market. This could result in public confusion.

Similarly, possible confusion could result where a division in a partnership or the division of an undertaking with more than one outlet meant that the trade marks associated therewith devolved upon more than one person.

Nevertheless, and despite the risk of public confusion, the doctrine of honest concurrent user would afford a proprietor equitable protection if he had clean hands i.e. if the events leading to the risk of confusion were not the result of dishonesty or unlawful conduct on the part of the proprietor and the use of his trade mark has not been deceptive from the start.

Thus concurrent owners could not resist mutual honest concurrent use but could prevent other usurpers or infringers.⁴⁰

Although it had not been fully worked out at the time the distinctiveness requirement for trade marks to qualify as suitable subject-matter for proprietary rights further accommodated the rights between rival traders as one trader could not, by adopting them as trade marks, pre-empt the use of ordinary or descriptive words by other traders to honestly describe their own products.⁴¹

- 3.8 The advent of the 1875 Act did not change the common law rule of acquisition of trade marks. Thus a mark did not become a trade mark until its proprietor had publicly used it. There was no other way by means of which a first proprietor could acquire a trade mark and marks not

40. See p 326 of the report.

41. See p 327 of the report.

yet used or no longer in use could not be registered.⁴²

The 1875 Act did not treat the right to the exclusive use of a trade mark as conferred by statute but as a common law right vested in the proprietor and of which right his registration provided evidence.⁴³

- 3.9. The 1905 Act effected a basic change: registration of a person as the proprietor of a trade mark became the source of his title to the exclusive right to the use of the trade mark and not mere evidence of a title acquired at common law by actual public use of the mark. The exclusive right so confirmed by the statute was subject to the limitations of its provisions including the protection of concurrent rights of other traders. A further innovation was that trade marks could not be registered prior to actual user.⁴⁴

The basic change was reflected in Section 41 of the 1905 Act insofar as it rendered registration the only way in which a trade mark could be the subject of proprietary rights. After a mark had remained on the register for seven years a court could not hold that it was not of such a character as to be the proper subject-matter of proprietary rights - unless registration of the trade mark had been obtained by fraud. Thus Section 41 vested substantive rights in whoever was for the time being validly registered as proprietor, provided there had not been blameworthy conduct on the part of a proprietor after the mark had been registered which rendered it liable to removal from the register for deceit.⁴⁵

42. See p 327 of the report.

43. See p 330 of the report.

44. See p 331 of the report.

45. See p 332 - 333 of the report.

4. *PROPERTY IN TRADE MARKS UNDER THE 1938 ACT*

This paragraph concerns the position at the time of repeal of the 1938 Act.

The approach to property in trade marks and to the link between goodwill and trade marks was still governed at that time by the confirmed principle in **Spalding v Gamage**, namely that trade marks are appurtenant to the goodwill of the business in the trade in which the mark is used and there is no property in the trade mark itself. Unauthorised use of the indicia of goodwill such as a trade mark injures the goodwill and not the trade mark.⁴⁶

Goodwill generated through use of a trade or service mark is a recognised *species* of personal property.⁴⁷ Thus once an unregistered mark had been used it acquired goodwill and could be transferred as part of the business in the goods or services in relation to which it had been used. The mark itself - as distinct from any registration thereof or any goodwill which it symbolised was not property as such unless and until it was registered.⁴⁸

Insofar as Section 22 of the 1938 Act provided that a registered mark could be assigned as an independent form of property separate from the property in the goodwill it may have come to represent and Section 64 (2) provided that equities in respect of a registered mark could be enforced in like manner as in respect of any other personal property⁴⁹ - it was implicit under the 1938 Act that a registered trade or service mark was personal property at law.

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- 46. *Spalding v Gamage* [1915] 32 R.P.C. 273. Confirmed in *Erven Warnick B V and anr. v V. J. Townsend & Sons (Hull) Ltd and anr* [1980] R.P.C. 31.
 - 47. See *Drysdale and Silverleaf Passing Off* 14; *Wadlow Law of Passing Off* 40.
 - 48. See Gold & Nicholls (eds) *Trade Mark Handbook* 16.1.2 Rel 2 [1992].
 - 49. Subject to the provisions of the Act: see section 64(2).

Hence a registered mark - even if unused - became property by virtue of its registration.⁵⁰

Thus **Lord Westbury's** conception of property in the trade mark itself which underpinned the statutes from the outset - remained discernable also in the provisions of the 1938 Act.⁵¹

Property in a registered mark is determined in various ways : non-payment of renewal fees, expungement on available grounds and unenforceability by virtue of the fact that the mark has become non-distinctive, descriptive or generic.

As the property rights of goodwill connected to an unregistered trade mark can be enforced only by an action for passing off these rights are determined when the circumstances necessary for success in a passing off action no longer exist, such as disuse of the mark with concomitant extinction of goodwill. The same result will follow deceptive or fraudulent use of both registered and unregistered marks.⁵²

5. *IN SUM*

Gold & Nicholls point out that it is characteristic of choses in action that such property is recoverable from a "debtor". Insofar as a property of a registered mark is said to recover the exclusive right to use of the registered mark from an infringer by means of the infringement action the registered mark has been regarded as a chose in action.

The authors however prefer to regard a registered mark as *sui generis* personal property without being either choses in action or choses in possession.⁵³

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- 50. See Benjamin Brooke & Co v Inland Revenue Commissioners [1896] 2 Q B 356 359; Gold & Nicholls (eds) *Trade Mark Handbook* 16.1.2 Rel 2 [1992].
 - 51. See p 29-30, *supra*.
 - 52. See Naranyanan *Trade Marks* 25 - 26.
 - 53. See Gold & Nicholls (eds) *Trade Mark Handbook* 16.1.3 Rel 2 [1992].

The approach of proceeding from the perspective of global concepts such as ownership of trade or service marks in order to determine the content of the trade or service mark right delivers little reward under the Common Law.

Thus, in the law of the United Kingdom at the time of the 1938 Act, the nature and content of the entitlements of the trade mark 'proprietor' or 'owner' and the limitations upon trade mark rights were to be found in the legislation and cases without recourse to *a priori* concepts and labels such as 'ownership', 'proprietorship' and 'choses in action'.

The following part considers the trade mark law of South Africa prior to the coming into force of the current Act. It will be shown that the bedrock of the law of trade marks in South Africa is provided by the trade mark law of the United Kingdom prior to the advent of the 1994 UK Trade Marks Act. The development of a common law of trade marks in South Africa prior to the 1993 SA Act based upon clearly different indigenous concepts of the nature of rights and property derived from the civil law was thereby restricted.

The future impact of civil law concepts upon the law of trade marks in the United Kingdom following upon the interposition of the European Community and the reception of European trade mark law remains to be seen. These historical events, in my view, require the South African law of trade marks to develop henceforth in congruence with the fundamental principles of its own legal system which are sufficiently flexible to accommodate the international trend towards the modernization and harmonization of trade mark laws.

PART 3

THE SOUTH AFRICAN LAW OF TRADE MARKS

CHAPTER 10

THE BEDROCK OF THE SOUTH AFRICAN LAW OF TRADE MARKS

This chapter considers the origins and sources of the South African law of trade marks and the relevance of the trade mark law of the United Kingdom in relation thereto. These matters were considered by the Appellate Division in the **Pentax** case.¹ The judgment of **Grosskopf J A.** affords the history of South African trade mark law (both at civil law² and under statute) treatment in some detail and therefore features prominently in this chapter.

1. EARLY CASES

1.1 *Mills v Salmond*³

This case, reported in 1863, is the earliest of the older cases mentioned by **Grosskopf J A.**⁴ The plaintiff's action was for damages on account of use of a trade mark and for an interdict. The plaintiff, a miller who dealt in flour, had for many years sold flour in bags under the trade mark "D. Mills Steam-Mill, Castle Bridge, Cape Town". He sometimes added the word "new" to the mark to indicate certain special kinds of flour. The defendant had sold flour under the mark "Mills, Steam-Mill, Cape Town" NEW.

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1. Protective Mining & Industrial Equipment Systems (Pty) Ltd v Audiolens (Cape) Pty Ltd 1987 (2) SA 961 (A)
 2. In order to maintain clarity the common law of South Africa (as distinct from the Common Law of the United Kingdom and the common law of Anglo-American systems in general) will be referred to as the civil law.
 3. *Mills v Salmond* (1863) 4 Searle 230.
 4. See p 983 of the report in the *Pentax* case.

Counsel for the parties relied on English cases in argument including **Blofield v Payne**⁵, **Blanchard v Hill**,⁶ and **Farina v Silverlock**⁷.

Bell J without citing authority found that the "putting on of the word "Mills" " was intended to and did deceive and there had been a fraud committed on the plaintiff: "A fraud is committed on traders and on the public by the selling of inferior flour with a brand calculated to deceive". The plaintiff was awarded a small amount of damages (for want of proof of specific damages) an interdict and costs.⁸

1.2 *Rose & Co v Miller*⁹

The plaintiff manufactured and sold lime juice cordial in bottles and the defendant had dexterously imitated the label and sold cordial thereunder in bottles which were the same shape as the plaintiff's. The evidence showed that confusion had resulted and the defendant had sold an inferior product. It was argued that as trade marks were not registrable in the country and the Local Law gave no protection to trade marks the defendant could do as he pleased until legislation intervened. **Kotze C J**, without referring to authority, granted a perpetual interdict, holding¹⁰:

I am of the opinion that Rose & Co have an exclusive right to the use of a certain label for the sale of "Limejuice Cordial", and that Miller has infringed such right by imitating the label of Rose & Co in such a

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5. Discussed at p 25 *supra*.
 6. Discussed at p 22-23 *supra*.
 7. *Farina v Silverlock* (1987) 26 LJ (NS) Eq 11 discussed at p 232 *infra*.
 8. P 234 of the report. It needs be recalled that it had been decided in *Blofield v Payne* that the plaintiff was not required to prove that the defendant's goods were inferior to succeed in a passing off action.
 9. *Rose & Co v Miller* (1891) 4 S A R 123. Discussed at p 983 of the report in the *Pentax* case.
 10. At p 125.

way that the public may easily be deceived thereby to the damage and inconvenience of Messrs. Rose & Co. To allow such a practice is to countenance a fraud both on Rose & Co and the public. It is a case of injuria or infringement of right.

1.3 Other Early Cases

In **Lewis v Holt and Holt**¹¹ the Respondents were interdicted from applying labels they had bought at a sale by the court featuring the trade mark THE NOTED CAMP CIGARETTE without indicating thereon that they were the manufacturers of the cigarettes sold under the mark. The respondents were restrained from holding out to the public that the goods were made by the applicant who had been associated with the trade mark previously.

The following early cases decided under the 1895 Cape Act illustrate further early activity by the courts in trade mark matters.

In **Ruffel v The Registrar of Deeds**¹² the court held **CUTINE**, **TUSSO** and **DIARRHOL** to be registrable invented words whilst **DOLORINE**, **ELIXIR** and **DIGESTIVE** were denied registration.

In **Peek, Frean and Co. v Carr and Co.**¹³ the mark **CAFE NOIR** was regarded not registrable in respect of biscuits because those words were held to have reference to the character or quality of the goods.

In **Frankau v Pope**¹⁴ an interdict was issued against use of a trade mark comprising the letters R. R. R. placed triangularly in a triangle as a colourable imitation of the applicant's mark, the letters B. B. B. placed triangularly in a diamond. An interdict was also granted

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- 11. Lewis v Holt and Holt 4 C.T.R. 115; 11 S.C. 106
 - 12. Ruffel v The Registrar of Deeds 9 C.T.R. 100; 16 S.C. 141.
 - 13. Peek, Frean and Co. v Carr and Co. 8 C.T.R. 207; 15 S.C. 172.
 - 14. Frankau v Pope 4 C.T.R. 210; 11 S.C. 209.

on the basis of infringement involving conflicting marks comprising ships in full sail.¹⁵

It was however held in **Reiners, Von Laer and Co. v Fehr**¹⁶ that no general rule could be laid down as to what would amount to an infringement of a trade mark. Every case was to be decided on its own merits.

2. **EARLY APPROACHES AND AUTHORITIES IN THE NETHERLANDS AND SOUTH AFRICA**

An overview of the approach to trade marks in the South African law during the late 19th century is provided by an article in Volume 9 of the Cape Law Journal of 1892.¹⁷

The purpose of the article and the background to its writing was stated thus:

*There is a prevalent idea among the public, and our South African community must not be excluded, that a trade mark, or trade name, as such, has no existence in a country where no legislation has taken place for the special protection of trade marks and devices in connection with diverse trades, or where such legislation has been passed, unless these marks or devices have gone through the formal process of registration. It is to dispel this erroneous idea that the present article has been written. Infringements of the rights of trade marks and devices occur almost daily among us, and as premised above, commercial prosperity is an extra inducement for these malpractices. It thus becomes a matter of importance to inquire into the remedies and protection which the common law affords to the general public and to the tradesman whose articles of commerce are being simulated in the market.*¹⁸

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- 15. See *Price Patent Candle Co. v Everitt and Co.* 4 C.T.R. 211; 11 S.C. 213.
 - 16. *Reiners, Von Laer and Co. v Fehr* 2 C.T.R. 135.
 - 17. De Bruyn 9 CLJ 18.
 - 18. De Bruyn 19.

The author then proceeded to consider the nature of trade marks, names and devices, rights thereto under the common law and equity and the remedies afforded, cession of trade marks and the rights of *peregrini* in regard to trade marks.¹⁹

According to the author, **De Bruyn**, title or rights in a trade mark were obtained by invention. Trade marks, trade names and designs (meaning devices) are incorporeal rights or interests incident to tangible movable subjects of property - things personal in the nature of incorporeal chattels.²⁰

A manufacturer applying a trade mark to his goods had no exclusive right or ownership in the symbols which constituted the mark. He had, however, the exclusive right to apply such symbols which were protected at law and in equity as a quasi-right of property akin to copyright. This right came into being once the mark was used - provided the mark was original and distinctive. The right became exclusive once the mark was used to indicate where, by whom and at what manufactory the goods bearing it were made. The right was not therefore created by statute alone and was conveniently considered as an evolution of the right acquired by occupation. The special statutory provisions²¹ regarding trade marks were only the outcome of a right already recognised under the common law.

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19. For the purposes of this work only De Bruyn's discussion of the nature of trade marks and the rights thereto and his comments regarding assignments are relevant. Regarding infringement we need only note that with reference to English cases the author observed that for the purposes of granting an injunction the court could decide whether a spurious mark was likely to deceive the public without evidence of actual deception being required. (See De Bruyn 26).
20. De Bruyn 20. But see p 228-229 *infra*.
21. The 1883 Act (United Kingdom) and the Trade Marks Registration Act of 1877 (Cape Colony).

*All that the Statute law did was to impose the method of applying trade symbols to marketable articles, to grant greater protection to the manufacturer and the public, and to inaugurate an accurate register of all recognised trade marks.*²²

Whether or not the right to a trade mark - an incorporeal chattel - could be assigned or ceded like other incorporeals and without notice could not be answered without reservation. Much would turn upon the nature of the mark and the manner in which it had been used. The question of lawful assignment was one of fact.²³ As an accessory of property a trade mark could be transferred and sold upon the sale and transfer of the manufactory of the goods on which the trade mark had been used - provided that this did not perpetrate a fraud upon the public.²⁴

The strong influence of English law upon the mind of the author is in evidence throughout the article.

A sharp retort to the argument of Counsel in **Rose & Co. v Miller** (*supra*) that no Roman-Dutch authorities had dealt with the subject of trade marks was soon provided by an anonymous source in the Journal.

TRADE MARKS. - In the last number of the Cape Law Journal the remark appears (p.24): "It was contended that no Roman-Dutch authorities treated on the subject" of trade-marks. This contention was founded upon a misapprehension. It would have required no very diligent search for anyone to discover at least the following authorities on the subject: Van den Berg's *Nederlandsch Advijsboek*, I., Cons. 68, p. 161; and, in connection therewith, *Zurck Codex Batabus*, sub voc. "Wapenen," 4, note 1. As regards the criminal aspects of the subject, the following may be consulted: *Zurck*, sub voc. "Falsiteit," 10; "Garen," 1; "Messen," 5;

22. See De Bruyn 21.

23. De Bruyn 27.

24. Relying upon *Leather Cloth Co., Ltd. v American Leather Cloth Co., Ltd.* 4 De G.J. & S. 137, 11 H.L.C. 523.

"Papieren," 2; "Thee," 1; Carpzovius, *Praxis Rer. crim.*, 2, 93, 89 and 90; Voet, 48, 10, 6; and commentators generally on Digest 48, 10, 30. It may be added that on the allied subject of Patents, an interesting case may be found in Koren's *Observatien op Oordeelen van den Hoogen Raad*, No. 27.²⁵

As will be seen however the common law and United Kingdom statutes were to exert the stronger influence and prevail as the *de facto* bedrock of the South African law of trade marks.

In this context Grosskopf J A states:²⁶

"I turn now to the law of trade marks in the Netherlands and South Africa. In the passage which I have quoted from the judgment in *Policansky Bros Ltd v L & H Policansky (supra)* Wessels CJ referred to an opinion quoted in Van den Berg's *Ned Advijs Boek* vol 1 adv 68 at 161. The facts in that opinion were that one Pieter Meffert was a 'Caartemaker' (apparently a manufacturer of playing cards - see Van Zurck *Codex Batavus*, sub voc 'Wapenen' at para 4 note 1 (which refers to the same case) who, during his lifetime, printed certain 'teekens, merken en namen' on his cards and their covers. After his death his widow and heirs continued the business, and also continued using the same 'teekens, merken en namen' on the cards produced by them. Other manufacturers of cards then commenced using the same distinctive words and marks on their own cards. The advice given to Meffert's widow and heirs was that it was impermissible to use such names, marks and signs as another person had previously used and was still using on similar articles, if the infringing use would enure to the loss or disadvantage of the first inventor or user of the names, marks or signs.

The death of Meffert had not altered this situation, since his widow and heirs, so they were advised, were entitled to the benefit of the

25. Anon 9 CLJ 127.

26. P 982 of the report in *Protective Mining and Industrial Equipment Systems (Pty) Ltd v Audiolens (Cape) (Pty) Ltd* 1987(2) SA 961(A) (the Pentax case).

names, marks and signs which the deceased had used in his lifetime. This opinion was given on 15 January 1667. The widow and heirs instituted proceedings and on 1 February 1667 an infringer was ordered by the schepenen of The Hague to pay 'een amende van 60 ponden' and furthermore

'om in het toekomende naar te laten het drukken ende gebruyken van sodanige teekens, merken ende namen, op haare Caarten, als Pieter Meffert zoo lang voor haar eerst heeft gevonden ende gebruykt welke hem en zyne Erfgenamen alleen toekomen'.

The ground for this decision was stated to be 'ratione falsi commissi utendo signis et nomine Petri Meffert in suis mercibus'.

The jurists who gave the above opinion relied mainly on a passage from the Tractatus de Insigniis et Armis by Bartolus (1314-1357). The full passage reads as follows:

'...pone fabrum quendam esse doctissimum, qui in gladiis, et aliis suis operibus facit certa signa, ex quibus opus ipsius magistri esse cognoscitur, et per hoc tales merces melius venduntur, et avidius emuntur, tunc puto quod si alius faceret tale signum, possit prohiberi quia ex hoc populus lederetur, acciperetur enim opus unius pro opere alterius.'

Grosskopf J A goes on to state at 982-983:

"These authorities leave no doubt that in our common law a trade mark served the same purpose as in England, viz to identify the goods of the trade mark owner and to distinguish them from the goods of others. A trade mark was considered to be infringed if it was used on goods which were not those of the person whom we would call the trade mark proprietor. This was regarded as a form of deception whereby the goods of the infringer were passed off for the goods of the trade mark proprietor, and was punishable under the crimen falsi (see also Voet Commentaries 48.10.6, Van Zurck (op cit) sub voc 'Falsiteit', para 10; 'Garen', para 1; 'Messen', para 5; 'Papieren', para 2; 'Thee', para 1; and also Carpzovius Praxis Rer Crim 2.93.89 and 90. It should be noted, however, that many of these passages refer to specific enactments on trade marks in respect of particular articles)."

Then, in his discussion of the **Rose** case at 983 he ends his discussion of the civil law authorities thus:

"Although no authorities were quoted in the judgment, the report (printed in 1908) contains a footnote mentioning Roman-Dutch authorities on the subject of trade marks. These appear to have been derived from an anonymous note in the Cape Law Journal of 1892 (9CLJ 127) and include the authorities which I have discussed above. See also Mills v Salmond (1863) 4 Searle 230."

3. THE RELATIONSHIP BETWEEN SOUTH AFRICAN AND UNITED KINGDOM TRADE MARK LAW

Grosskopf J A commences that part of his judgment in the **Pentax** case concerning the link between South African and United Kingdom trade mark law with the *dicta* of **Kotze C J** in **Policansky's** case in which it was said that the general principle that one trader could not filch the trade of another by imitating the names, marks or devices in which the latter had acquired a reputation, was known to Roman Dutch law. The learned Chief Justice had found, however, that the aforegoing class of wrong had not, by the end of the 18th century, developed its modern-day importance.²⁷

Hence, he went on to say:²⁸

As our Roman-Dutch authorities do not deal with the various aspects of passing-off actions that modern conditions have evoked, we in South Africa have followed the principles enunciated by the English and American Courts where such principles are not in conflict with either our common law or our statute law.

Grosskopf J A advances the matter through the observation that the law of trade marks has its origin

27. See *Policansky Bros. Ltd. v L & H Policansky* 1935 AD 89 97.

28. See p 98 of the report.

in the law of passing off and that South African statutory trade mark law has followed "English patterns".²⁹

Although the judgment does not hold that English trade mark law is the applicable law in South Africa the learned Judge of Appeal clearly regarded the trade mark laws of the two systems at the time as being congruent: subject to the rider of **Kotze C J** that the principles of United Kingdom law are only to be followed insofar as they do not conflict with South African civil and statute law.

Dealing with the extent of the trade mark right in English law **Grosskopf J A** states with reliance upon the historical overview of the law in the **G E** case³⁰:

"The use by manufacturers of distinctive marks upon goods which they have made is of very ancient origin, but legal recognition of trade marks as a species of incorporeal property was first accorded by the Court of Chancery in the first half of the nineteenth century.

The right of property in a trade mark had special characteristics. One, which it shared with patents and with copyright, was that it was a monopoly, that is to say, it was a right to restrain other persons from using the mark. To be capable of being the subject-matter of property a trade mark had to be distinctive, that is to say, it had to be recognisable by a purchaser of goods to which it was affixed as indicating that they were of the same origin as other goods which bore the same mark and whose quality had engendered goodwill. Property in a trade mark could therefore only be acquired by public use of it as such by the proprietor and was lost by disuse.

I have stated above that the right in a trade mark was a right to restrain other persons from using the mark. What types of use could

29. See p 978 of the report of the Pentax case.

30. G E Trade mark 1973 R.P.C. 297.

*be thus restrained at common law? The answer to this question appears from the following discussion by Lord Cranworth in Farina v Silverlock (1987) 26 LJ (NS) Eq 11. Lord Cranworth was dealing with 'the right to have a particular trade mark to designate a commodity' (*ibid* at 12). The right, he said, was of this nature:*

'It is not properly described as a copyright, because it is no right at all, unless it is a right which can be said to exist only, and to be tested only, by its violation. The right is a right on the part of any person designating his wares or commodities by a particular trade mark, as it is called, to prevent anybody else from selling wares, which are not those manufactured by the plaintiff, with that trade mark, in order to mislead the public, and so incidentally to injure the person who is owner of the trade mark....I apprehend the law is perfectly clear that anybody, who has acquired a particular mode of designating his particular manufacture, has a right to say, not that other persons shall not sell exactly the same article, better or worse, or looking exactly like it, but that they shall not so sell it as to steal the plaintiff's trade mark, and make purchasers believe it is the manufacture of somebody else'.

(ibid at 12-13)."

It had however been contended in England that the advent of the 1875 Act in the United Kingdom had changed the law in **Farina v Silverlock** (supra) bringing about a substantial expansion of the rights of the registered proprietor. A review of the purpose and essential provisions of the 1875 Act led the learned Judge of Appeal to a consideration of the **Heidsieck** case.³¹

The case concerned parallel importation and the argument of the plaintiff is summed up thus by **Clauson J** at page 338 of the report:

"It was, however, contended that the effect of s 3 of the Act of 1875 (which enacted that the registration of a trade mark, prima facie, gave

31. Champagne Heidsieck et Cie Monopole Societe Anonyme v Buxton (1930) 47 R.C.P. 28.

the registered proprietor the right to the exclusive use of such trade mark) was, not merely to give that proprietor by virtue of registration a statutory title in respect of his mark to the same rights which, before the Act, he could have obtained only by proving that the mark had become his trade mark, but had the further effect of vesting in the owner of a trade mark the right to object to any person selling or dealing with goods produced by the owner of the trade mark with the trade mark affixed, except on such terms and subject to such conditions as to resale, price, area of market, and so forth, as the owner of the trade mark might choose to impose. It was, in effect, suggested that, whereas before 1875 a trade mark, if established as a trade mark, was a badge of the origin of the goods, the effect of s 3 of the Act of 1875 was to make a registered trade mark a badge of control, carrying with it the right in the owner of a registered trade mark to full control over his goods, into whosoever hands they might come, except in so far as he might expressly or by implication have released this right of control."

The contention was rejected thus at pages 338-339 of the report:

I do not so read the section. Nor am I aware that, until the present case, any such construction of the section or of corresponding sections in subsequent Acts has been adopted by any tribunal; or indeed that, until very recent times, any such construction has been propounded to any tribunal. It would be astonishing, if in an Act to establish a register of trade marks, such a remarkable extension of the rights of owners of trade marks were intended to be enacted by the use of such terms as appear in the section. The section appears to me to mean that the proprietor of a registered trade mark is to have the right exclusively to use such trade mark in the sense of preventing others from selling wares which are not his marked with the trade mark. I do not believe that the Legislature intended to say, or can fairly be held to have said, that the registration of a trade mark had the wide consequences suggested by the plaintiffs.

It then fell to be considered whether subsequent amendments to the 1875 Act (in 1876 and 1877) or the

following acts in 1883 and 1905 had brought about the changes proposed. It was found that the later amendments and enactments had also not expanded the trade mark right to full control by the proprietor over the goods once they featured his trade mark. In the words of **Clauson J** at page 339 of the report:

It was, indeed, at first suggested that this remarkable alteration in the law (ie the alteration contended for by the plaintiff - see the above quotation from 338) took place when s 39 of the Act of 1905 was enacted, but a comparison of the language of that section with s 3 of the Act of 1875 led at once to a recognition of the fact that, if the change in the law did take place, it must have taken place in 1875 and not in 1905. Indeed, in my view, if there had been any possible doubt as to the construction of s 3 of the Act of 1875, the doubt must necessarily vanish when the Act of 1905, which supersedes that of 1875 and the intermediate Acts, is examined. In the Act of 1905 the word "trade mark" is defined as a mark used upon goods for the purpose of indicating that they are the goods of the proprietor of the mark, and reading this definition into s 39 it appears to me quite clear that the exclusive right to use the mark conferred on the registered proprietor by that section is the right to use the mark as a trade mark - ie as indicating that the goods upon which it is placed are his goods and to exclude others from selling under the mark wares which are not his.

The **Heidsieck** case was held by the Court of Appeal to be good law in **Revlon Inc and Others v Cripps & Lee Ltd and Others** (1980) FSR 85 (CA) and **Grosskopf J A** at page 985 of his judgement held it to be a correct reflection of the law in all provinces of the Union of South Africa prior to Act 9 of 1916.

4. **EARLY TRADE MARK LEGISLATION IN SOUTH AFRICA**³²

Shortly after the advent of the 1875 Act in the United

32. The sources for the discussion which follows are Webster and Page *Trade Marks* 2nd ed. 4; De Bruyn 21-22; p 983 - 984 of the report in the Pentax case.

Kingdom similar legislation was passed in the colonies of the Cape and Natal.

The first statute providing for trade mark registration in South Africa was the Trade Marks Registration Act 22 of 1877 (Cape Colony). This enactment contained provisions based on the 1875 United Kingdom Act and provided for a trade marks register to be kept by the Registrar of Deeds. With reference to our discussion under the **Heidsieck** case regarding the ambit of the trade mark right indicated by a proper interpretation of section 3 of the 1875 United Kingdom Act, it needs be mentioned that section 3 of the Cape Act repeated section 3 of that Act and this remained the case despite subsequent amendments to the Cape statute. The Cape Act contained no so-called essential particulars of which a trade mark was to comprise in order to qualify as a trade mark as provided for by section 10 of the 1875 United Kingdom Act. This was however introduced subsequently by Act 12 of 1895 (Cape Colony).

Essentially, the Cape legislation following the British enactment upon which it was based provided that registration would be *prima facie* evidence of the right of the registrant to the exclusive right to use such trade mark, the entry becoming conclusive proof of this right after five years of registration. Certain trade marks were however not to be registered without special leave of the court, namely, trade marks similar to registered trade marks for the same class of goods. Trade marks were to be denied registration in respect of goods covered by resembling registered trade marks. Deceptive marks which would be denied protection in a court of equity in England and scandalous designs were denied registration, also.

In Natal, Law 4 of 1885 (Natal) established a register of trade marks kept by the Registrar of the Supreme

Court. Section 16 of that act corresponded to section 3 of the 1875 United Kingdom Act (although a misprint occurred in the Natal Law) and the enactment as a whole corresponded substantially to the 1875 United Kingdom legislation.

In the Orange Free State similar provisions to those in the 1875 British Act were enacted but, as in the Cape, no "essential particulars" were specified leading to a provision introducing essential particulars under Law 13 of 1893.

The Orange Free State enactment contained in Chapter CXIII of the **Wetboek** was entitled "De Wet over het Registreeren van Handelsmerken". This legislation introduced the Register of Trade Marks to be kept by the Registrar of Deeds. Section 3 of that Act was a direct translation of section 3 of the United Kingdom Act of 1875.

In the Transvaal civil and criminal remedies for infringement of a trade mark were introduced by Law 6 of 1892. Marks were registered by the State Attorney and, essentially, the legislation was substantially similar to the enactments in the other South African territories. The Act recognised the exclusive right of the registrant to use of the registered mark.

The Act was repealed by Proclamation 23 of 1902 which created a trade marks register under the care of a Registrar of Trade Marks. This proclamation saved vested rights and contained provisions substantially similar to those of the 1875 British Act.

5. *UNION LEGISLATION*

I have observed that the pre-Union legislation closely followed the 1875 British Act. The legal position immediately prior to the enactment of the Union legislation - the Patents Designs Trade Marks and

Copyright Act 9 of 1916 of the Union of South Africa (the 1916 Act) - was summarised thus by Grosskopf J A in the **Pentax** case:³³

Before I turn to this Act, it will be convenient to summarise what the relevant legal position was before its promulgation. At common law, both here and in England, a trade mark served to indicate the origin of goods in the proprietor of the trade mark, and infringement occurred when the trade mark was used in respect of goods which were not those of the proprietor of the trade mark. There is nothing in our common law or that of England to suggest that the proprietor of a trade mark was entitled by virtue of trade mark law to control the sale or distribution of his goods which he had marked with his trade mark.

*The British Act of 1875 introduced a system of registration of trade marks. The purpose of the Act, according to the G E case supra, was to make it easier for the proprietor of a trade mark to prove his ownership, and to enable interested persons to find out whether a particular trade mark was in use and by whom. Its purpose was not to change the main characteristics of trade marks at common law. And in the Champagne Heidsieck case supra the Court held that the proprietor's 'exclusive right' of which the 1875 Act spoke was the right which had existed at common law to prevent others from selling wares which were not his marked with his trade mark.*³⁴

The 1916 Act repealed the pre-Union enactments and dealt with trade marks under sections 96-140 in chapter III. The enactment was based on the 1905 United Kingdom Act and was couched in identical terms in many instances. It established a Trade Mark Office and Register for the Union which incorporated the registers created under the earlier enactments, saving rights already vested thereunder.³⁵

Section 98 of the 1916 Act defined a trade mark in almost

33. At p 984.

34. In the United Kingdom the Heidsieck's case remained authoritative. See Cornish *Intellectual Property* 482.

35. Webster & Page *Trade Marks* 2nd ed. 4.

identical terms to that of the United Kingdom Act and following the British example it provided that registration of a trade mark afforded *prima facie* evidence of the proprietor's right to use the trade mark exclusively - which right became conclusive seven years after date of registration.

Section 125 of the 1916 Act made specific provision for infringement - an innovation. The section provided³⁶:

*125.- What constitutes infringement of rights acquired by registration.
- The rights acquired by registration of a trade mark shall be deemed to be infringed by the use (other than permitted use) in respect of the goods in respect of which it is registered, of a mark substantially identical with the trade mark or so nearly resembling is as to be likely to deceive.*

In an action for the infringement of a trade mark the court, in trying the question of infringement, shall admit evidence of the usages of the trade in respect to the get-up of those goods and of any trade marks or get-up legitimately used in respect of them by other persons.

The Patent, Designs Trade Marks Amendment Act No. 19 of 1947, went on to introduce provisions similar to those of 1938 British Act in making provision for registered users and assignments without goodwill. This was done through the insertion of section 131 bis into the 1916 Act. Section 131 bis (2) provided that use of a trade mark by a registered user was "permitted use". This required the infringement section to be amended correspondingly to the form set out above. "Permitted use" was made non-infringing conduct by the amendment reflecting the general rule in the common law both in South Africa and in the United Kingdom that consent by the proprietor to user of a trade mark whether "permitted use" or otherwise provided a defence to the trade mark infringement action.³⁷

36. In amended form. See regarding "permitted use" below.

37. See p 986 of the report of the Pentax case.

6. THE CHOWLES COMMITTEE

A committee under the chairmanship of Victor Chowles, Registrar of Trade Marks at the time was constituted in 1960 to study and report upon a new Trade Marks Bill framed by the Registrar to replace the trade mark provisions of the 1916 Act. The report of this committee was dated 2 May 1961.³⁸

The Draft Bill recommended the following major innovations which the Report considered:³⁹

- 6.1 Division of the Register into parts A and B. The recommendation of the Report in this regard was implemented and was contained in section 31(2) of the 1963 Act.⁴⁰
- 6.2 Permitting registration of distinctive containers for goods as trade marks without affording protection to the utilitarian or functional features thereof. This recommendation was implemented under sections 2 and 10 of the 1963 Act.
- 6.3 The extension of infringement rights which were subsequently implemented under section 44(1) of the 1963 Act.⁴¹

In the latter regard the committee gave serious consideration to extending infringement rights to goods of the same description as the goods for which a trade mark was registered or to all cases - whatever the goods - if the use complained of would indicate a connection in the course of trade with the proprietor's goods. In regard to these aspects the committee concluded:

38. See p 1 and 19 of the Chowles Report.

39. See p 2 of the Chowles Report.

40. The Trade Marks Act No 62 of 1963.

41. This extension is discussed in broader terms at p 269-271 *infra*.

39. *In all the circumstances the committee does not favour the extension of infringement rights to goods in respect of which the mark is not registered. The Committee feels that other persons in the trade are entitled to know the precise ambit of the statutory rights conferred by registration and that the proposed extension could only bring about a state of uncertainty.*⁴²

6.3.1 *The Yeast-Vite Case*⁴³

As recorded in chapter 7, the 1938 United Kingdom Act broadened the definition of a trade mark and through section 4(1) effected a substantial expansion of the rights of trade mark proprietors - mostly in response to the **Yeast-Vite** case.

In the **Yeast-Vite** case, decided prior to the enactment of the 1938 Act, the registered proprietor of the trade mark "Yeast-Vite" failed in all courts and in the House of Lords to restrain use of "Yeast tablets a substitute for Yeast-Vite" by another trader on goods of similar composition to those of the plaintiff on the basis of infringement because the defendant had not used "Yeast-Vite" as a trade mark to indicate the defendant's goods were the genuine article.

In contrast hereto, in the **Bismag** case⁴⁴ comparative advertising contrasting the price difference between "Bisaturated Magnesia Tablets" and "Bismuthated Magnesia Powders" in a list of products - the word "bismuthated" having been substituted for "bisaturated" in respect of the substitute goods - was held to be an infringement under the extended section 4 of the 1938 Act by the Court of Appeal.

42. P 8 - 9 of the Chowles Report.

43. *Irving's Yeast-Vite Ltd. v Horsenail* [1934] 51 R.P.C. 110. See p 981 - 982 of the report of the Pentax case. See also p 149 *supra*.

44. *Bismag Ltd. v Amblins (Chemists) Ltd.* (1940) 57 R.P.C. 209.

6.3.2 Yeast-Vite : recommendations of the Chowles committee

In regard to the **Yeast-Vite** case the Chowles committee considered particularly the following passage of the speech of **Lord Tomlin** which indicated the limitation of the property right conferred by the trade mark law of the time:

The distinction between the cases in which a remedy for infringement of a trade mark and the remedy for passing off are, respectively, appropriate have often been stated and are not in doubt. The first remedy is available where there has been violation of the specific property right conferred by the trade mark law. What is the property right of the appellants that has been infringed? The phrase "exclusive right to the use of such trade mark" carries in my opinion the implication of use of the trade mark for the purpose of indicating in relation to the goods upon which or in connection with which the use takes place the origin of such goods in the user of the mark by virtue of the matters indicated in the definition of "trade mark" contained in section 3.⁴⁵

In contrast to the approach which had been adopted by the 1938 British Act the committee addressed the problem posed by section 3 of the 1905 Act (as amended) thus:

It is generally agreed that the protection afforded the registered proprietor of a trade mark should be wider than the mere prohibition of the unauthorised use by others of the trade mark as a trade mark that is to say for the purpose of indicating origin in the user and the problem is to know how best to extend the right.

It will be noted from paragraphs (a) and (b) of sub-clause (1) of clause 46 that the committee has sought to draw a distinction between those cases where there has been unauthorised use of a trade mark as a trade mark and those cases where there has been unauthorised use whether as a trade mark or not and where the use is likely to cause injury or prejudice to the proprietor of the trade mark. In doing this the committee has tried to overcome the basis of the decision in the "Yeast Vite" case viz. that the right is only infringed by use of the trade mark as a trade mark that is to say for the purpose of indicating

45. See p 116 of the report of the Yeast-Vite case.

in relation to the goods upon which the mark is used the origin of such goods in the user.

*The committee can see no objection in principle to stating in general terms that the trade mark proprietor will be entitled to redress if he can show that use by another, in relation to or in connection with the goods for which the mark is registered is likely to cause him injury or prejudice. It may be argued that the right is not defined with sufficient certainty and that competitors will be left in the dark as to what precisely is prohibited but the prohibition is clear viz. that the mark may not be used, in the course of trade, in relation to or in connection with goods in circumstances likely to cause injury or prejudice. What those circumstances are will in due course be defined by the courts; in the meantime competitors will use the mark in relation to the goods for which it is registered at their peril.*⁴⁶

These recommendations of the committee were implemented in section 44(1)(b) of the 1963 Act which, as we have seen, adopts a different approach to the turgid section enacted in the British Act - albeit with the benefit of hindsight.⁴⁷

- 6.4 Defensive registration of trade marks - which was subsequently provided for in section 53 of the 1963 Act and which afforded wider protection than that of the corresponding provision in the British Act⁴⁸ in that defensive registration in South Africa was not confined to "invented words".⁴⁹

7. ACT 62 OF 1963.

The most important innovations of this Act and their origin in the Draft Bill considered in the Chowles Report have been discussed.

46. Chowles Report 10 - 11.

47. See p 143-151 *supra* for a discussion of section 4 of the 1938 United Kingdom Act.

48. See section 27 of the 1938 Act as amended.

49. Also recommended were a number of non-substantive changes including the vesting of jurisdiction in the Registrar of matters previously vested in the Minister or the Supreme Court, registration of marks in the name of holding companies about to be formed and the introduction of informal opposition proceedings: See p 2,5-8 of the Chowles

Attention will be given briefly to that innovation concerning the broadening of the infringement action in South Africa which differed from the United Kingdom approach in the 1938 Act and which was analysed thus by **Grosskopf J A** in **Pentax** case (referring to section 44(1) of Act 62 of 1963) as originally promulgated:⁵⁰

... the rights acquired by registration of a trade mark shall be deemed to be infringed by -

- (a) *unauthorized use as a trade mark upon or in relation to goods in respect of which the trade mark is registered, of the identical trade mark or of a trade mark so nearly resembling it as to be likely to deceive or cause confusion; or*
- (b) *unauthorized use in the course of trade, whether as a trade mark or not, of the identical trade mark or of a trade mark so nearly resembling it as to be likely to deceive or cause confusion, if such use is in relation to or in connection with goods for which the trade mark is registered and is likely to cause injury or prejudice to the proprietor of the trade mark.*

It seems clear that ss (b) was inspired by the Yeast-Vite case and served to extend the concept of infringement beyond the mere use of the mark as a trade mark. The effect of ss(b) in its original formulation was, however, that trade mark infringement could be committed in this extended sense by the use of a mark 'whether as a trade mark or not'. Unlawful use of a mark as a trade mark could thus fall under either ss(a) or (b). See the Dan River case supra at 703C-704A. After the decision in the Dan River case, and presumably as a result thereof, the section was amended by Act 46 of 1971 to make it clear that ss(a) applied to the use of a trade mark as a trade mark, and ss(b) only to use otherwise than as a trade mark. The section then reads as follows (I quote it in full because it is the relevant text for the purposes of the present appeal):

50. At p 116 of the Report of the Pentax case.

'... the rights acquired by registration of a trade mark shall be infringed by - (a) unauthorized use as a trade mark in relation to goods or services in respect of which the trade mark is registered, of a mark so nearly resembling it as to be likely to deceive or cause confusion; or (b) unauthorized use in the course of trade, otherwise than as a trade mark, of a mark so nearly resembling it as to be likely to deceive or cause confusion, if such use is in relation to or in connection with goods or services for which the trade mark is registered and is likely to cause injury or prejudice to the proprietor of the trade mark.'

In passing it should be noted that the reference to the 'identical mark' was also removed by Act 46 of 1971 from ss(a) and (b).

In the **Dan River**⁵¹ case it was held that sub-sections 41(1)(a) and (b) could both apply to unlawful use of a trade mark as a trade mark: **Ogilvie Thompson J.A.** had found as follows in relation to section 44 as first promulgated:

As Chowles & Webster at pp. 138 et seq. of their useful work (South African Law of Trade Marks) point out, the interpretation of the expression "whether as a trade mark or not" occurring in sec. 44(1)(b) is - especially when regard is had to the terms of the proviso to sec. 44(1) - not wholly free from difficulty. Mr Franklin submitted that the expression in question should be read as "otherwise than as a trade mark". Use "as a trade mark" is - so the submission ran - exhaustively covered by sec. 44(1)(a) and thus has no place in sec. 44(1)(b). I am unable to agree. To accede to Mr. Franklin's submission would, in my opinion, be to ignore the plain grammatical meaning of the expression "whether as a trade mark or not" ("hetsy as 'n handelsmerk of nie"). In my opinion, that expression clearly indicates that sec. 44(1)(a) was not intended to deal exhaustively and exclusively with use "as a trade mark". Mr Franklin sought to derive

51. Shalom Investments (Pty.) Ltd. and Others v Dan River Mills Incorporated 1971(1) S A 698 (A).

some support for his submission from the inclusion in sec. 44(1)(b) of the words "in the course of trade". In my view, however, the absence of those words from sec. 44(1)(a) is readily explicable inasmuch as they form part of the definition of "trade mark" in sec. 2 of the Act. Their presence in sec. 44(1)(b) is rendered necessary since that section refers to unauthorised use of a mark both (i) as a trade mark and (ii) otherwise than "as a trade mark". In either case - and here again differing from sec. 44(1)(a) - the "injury or prejudice" referred to in the concluding portion of sec. 44(1)(b) must, as already mentioned, also be proved in order to establish infringement under this last-mentioned section.

In the light of the foregoing, it becomes, I think, apparent that in enacting secs. 44(1)(a) and 44(1)(b) the Legislature deliberately departed from the earlier concept, as exemplified by the *Yeast-Vite* case, *supra*, that there could be no infringement unless the infringer used the mark "as a trade mark" and, adopting the principle embodied in sec. 4 of the 1938 English Act, designedly distinguished, in relation to infringement, between use "as a trade mark" and other uses. This last-mentioned distinction - happily achieved without the "dark and tortuous prolixity" of sec. 4 of the English Act - is reflected in sec. 44(1)(a) and 44(1)(b) and is underscored by the specific inclusion in the latter section, of the expression "whether as a trade mark or not".

The considerations urged upon us by Mr Franklin to the effect that a registered trade mark should not be permitted to become a "badge of control" and that the rejection of appellants' submissions would be to confer an unwarranted, if not, indeed revolutionary, extension of the exclusive rights of the proprietor of a registered trade mark which would be oppressive to traders, are, in my view, likely in practice to be effectively answered by the concluding portion of sec. 44(1)(b). For as already stated, but as must again here be emphasised, it is - differing in this respect from sec. 44(1)(a) - a condition precedent of

establishing infringement pursuant to the provisions of sec. 44(1)(b) that the proprietor of the trade mark should prove that the use complained of "is likely to cause injury or prejudice" to him. In any event, even if some validity may rightly be accorded to the aforementioned considerations, they must perforce yield to the wording of the Act.

*I accordingly conclude that, on a proper construction of sec. 44(1)(b) of the Act, once the various requirements of that section are shown to exist, and none of the qualifications stated in the opening words of the section obtain, infringement is established whether the registered trade mark was used "as a trade mark" or not.*⁵⁰

The Trade Marks Amendment Act, no. 46 of 1971 amended the section to indicated that sub-section 44(1)(a) applied to use of a trade mark as a trade mark only and section 44(1)(b) use of a mark otherwise than as a trade mark, only, removing the references to "identical mark" from the sub-sections at the same time. This does not lead to a position where use of an identical mark is not an infringement under the section.⁵³

8. SERVICE MARKS

Pursuant to the report of the Schoeman Committee which was set up under the chairmanship of the Registrar of Trade Marks during 1968 the provisions of the 1963 Act were extended to service marks by the Trade Marks Amendment Act, no. 46 of 1971, which came into operation on 1 January 1972. This Act also extended the concept of use of a trade mark in the Act to audible use thereby extending the proprietors infringement action at the same time.⁵⁴

52. P 687 - 688 of the report. See also p 269-271 *infra*.

53. See p 987 of the report of the Pentax case.

54. See Webster & Page *Trade Marks* 2nd ed. 5 and section 2(2) of the Act, as amended.

9. *FURTHER AMENDMENTS AND TRANSITIONAL PROVISIONS*

Finally it is to be noted that no further amendments to the 1963 Act were enacted save for the Trade Marks Amendment Act, no. 37 of 1979, which provided for the *ad hoc* appointment of persons to perform Registrar's duties and the Trade Marks Amendment Act, No 65 of 1991 which inter alia introduced "services" to the definition section 2 in order to extend protection to retail and wholesale services.⁵⁵

The transitional provisions in section 81 of the 1963 Act saved vested rights under earlier enactments.

10. *IN SUM*

That marks could serve to identify and distinguish goods and that deceptive use thereof was to be punishable in certain circumstances was recognised by a number of old writers.

It is however in the common law concerning trade marks and the trade mark statutes of the United Kingdom where the fundamental principles of the South African law of trade marks prior to the Trade Marks Act No 194 of 1993 are to be found.

This is not to say that the trade mark laws of the two jurisdictions are or were identical in all respects. Indeed the Trade Marks Act No 62 of 1963, as amended, featured South African innovation and avoided a number of the obscurities of the Trade Marks Act, 1938.

The trade mark laws of the two countries (at least prior to the enactment of the Trade Marks Act No 92 of 1993 and the Trade Marks Act, 1994) are better seen as congruent, subject however to the qualification that the trade mark law of the United Kingdom was followed only where the rule concerned did not conflict with the civil or statute law of South Africa. On this basis guidance could be sought also in the trade mark law of the U.S.A.

55. See p 255-256 *infra* in this regard.

Those aspects of South African trade mark law under the 1963 Act most relevant to the topic of this work are considered in the next chapter. At the same time attention will be given to those instances where there are apparent differences between the trade mark laws of the United Kingdom prior to the enactment of the 1994 Act in the latter jurisdiction and the law under the 1963 SA Act.

CHAPTER 11

SOUTH AFRICA : THE 1963 ACT

This chapter builds upon the preceding chapter and considers the trade mark law of South Africa as it stood immediately prior to the enactment of the Trade Marks Act, 1993.¹ The law was then governed by the Trade Marks Act no. 62 of 1963 as amended by the Trade Marks Amendment Act no. 46 of 1971, the Trade Marks Amendment Act, no. 37 of 1979 and the Trade Marks Amendment Act No. 65 of 1991.

I proceed to consider the provisions of the 1963 Act, as amended and supplemented, which are most relevant to the central enquiry of this work - the nature of the trade mark right. References to the 1963 Act are, henceforth, references to the Act as so amended.

The chapter first considers those provisions which defined a "mark" and a "trade mark" and which determined which marks were registrable - including the concepts of "distinctiveness" and "use".

An examination of the rights and remedies afforded by registration and relevant aspects of the assignment and licensing of trade marks follows.

Detail will not be afforded to those approaches and principles common to the trade marks laws of the United Kingdom and South Africa. The approach will rather be to concentrate upon relevant aspects of the law particular to South Africa.

1. The Act came into force on 1 May 1995.

1. OBTAINING REGISTRATION

As in the United Kingdom under the 1938 Act, a South African applicant for registration of a trade mark was required to satisfy and overcome a four tier set of requirements and obstacles provided by the 1963 Act. The onus was upon the applicant to show that:

- 1.1 the subject of his application was a "mark" as defined;
- 1.2 the mark comprised a "trade mark" as defined;
- 1.3 the trade mark was sufficiently distinctive in terms of the Act to qualify for registration;
- 1.4 the trade mark was not disqualified from registration for some other reason provided for in the Act.

Thus, the 1963 Act set out a series of positive requirements for registration which the applicant had the onus of overcoming before the trade mark would be registered.

I deal briefly with each requirement in turn in the paragraphs which follow.

2. "MARK"

The definition of a "mark" in section 2(1)(vii) of the 1963 Act, provided:

"Mark" includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, or any combination thereof, or a container for goods.

This definition follows the definition of "mark" in the 1938 U.K. Act but goes further in including a container for goods in the definition.

It will be recalled that in the **Coca-Cola** case² it was

2. Coca-Cola Trade Marks [1986] R.P.C. discussed at p 101-102 (*supra*).

held in the House of Lords that a container for goods was not registrable under the 1938 U.K. Act, whether or not it was distinctive in fact.

In the United Kingdom the Goshen Committee³ found that it would be undesirable to grant trade mark protection to a container, despite that a container could be adapted to distinguish, because the effect of this would be to grant an indefinite monopoly in a design. The right of the public to use a design of which the period of protection had expired would thus be taken away.

The Chowles Committee pointed out that the nature of the monopoly which would be afforded a design under the proposed Trade Marks Act would only confer a monopoly in the registrant in relation to the goods for which the container was registered as a trade mark and for no other purpose. The difficulty contemplated by the Goshen Committee could be overcome by having the legislation preserving the right to utilise any utilitarian or functional features embodied in the container in favour of the public and by the inclusion of a special provision for expungement of container marks in special circumstances.⁴

This led to the enactment of sections 10(2) and (3) which in their ultimate form after amendment provided:

10(2) No registration of a container in terms of sub-section (1) shall prevent the bona fide use by others of any utilitarian or functional feature embodied in such containers.

10(3) The registration of a container in terms of sub-section (1) may, upon application to the court, or at the option of the applicant and subject to the provisions of section sixty-nine, to the registrar by any person interested, be expunged by the court or the registrar, as the

3. See par 13 of the Report of the Goshen Committee (1934) Cmnd 4568.

4. Paragraph 22-24 of the Chowles Report 2 May 1961.

case may be, if it is established that the registration is or has become likely to limit the development of any art or industry.

In the **Weber** registrability case⁵ it was held that the shape and configuration of the appellant's grill was not a "mark" within the contemplation of the definition thereof in the Act. **Eloff J P** stated:

*In my opinion it follows from these definitions and provisions that a mark has to be something different from the thing marked. And it is clear that the appellant cannot, under the aegis of trade mark protection, seek monopolistic rights in its design of the shape of its product, no matter how distinctive it might be. There is authority of long standing in support of these views.*⁶

Earlier, in the **Faber-Castell** case⁷, **Preiss J** emphasised that the distinction between the container itself and the goods it contained must not be overlooked. It was held:

*On the evidence furnished by the affidavits before me, I am of the view that any member of the public who purchases the Respondent's highlighter does so for the purpose of using it as an integral instrument and not for the purpose of acquiring the Respondent's highlighting fluid. In brief terms, the Respondent is trading in highlighters, not in highlighting fluid. Consequently his container mark does not relate to the goods, which is what the Trade Marks Act requires.*⁸

Thus, in terms of the 1963 Act a distinctive container for goods was registrable as a trade mark subject to the provisions of the Act and particularly sections 10(2) and (3).

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5. **Weber-Stephen Products Co v Registrar of Trade Marks** 1994(3) SA 611(T).
 6. At p 7 of the report. The court approved Lord Lindley's apothegm (see p 99 *supra*) in *In re Jame's Trade Mark* (1886) 33 Ch D 392 395 and *Coca-Cola Trade Marks* [1986] R.P.C. 421 (at p 7-9, 11 of the report).
 7. **A.W. Faber-Castell (S.A.) (Pty) Ltd v Schwan - Stabilo Schwanhauser G.m.b.H. & Co and the Registrar of Trade Marks**, Patent Journal, August 1981 227.
 8. At p 228. See also *Cointreau Et Cie SA v Pagan International* 1991(4) SA 706(A) 712.

Regard must also be had to section 2(2) of the 1963 Act which provided:

2(2) References in this Act to the use of a mark shall be construed as references to the use of a printed or other visual representation of the mark, and in addition, in the case of a container, use of such container and, in the case of a mark which is capable of being audibly reproduced, the use of an audible reproduction of the mark.

In sum, it can be said that the 1963 South African Act followed the approach of the 1938 U.K. Act in providing a non-exhaustive list indicating the nature of the matter which could serve as a mark. In South Africa, however, a container for goods could be registered as a trade mark subject to the provisions of the Act. For the purposes of the Act an audible reproduction of a mark qualified as use of a mark capable of being audibly reproduced. The 1938 UK Act restricted use of marks to visual representations thereof.⁹

The concept of visual representation received a wide interpretation in South Africa as is illustrated by the finding that a magnetic signal recorded on a video tape which became a visual representation once an electronic process converted the magnetic signal to a display on a screen comprised a visual representation of the mark in relation to the tape.¹⁰

3. "TRADE MARK"

A "trade mark" was defined in section 2(xxi) of the Act which provided:

"trade mark", other than a certification mark, means a mark used or proposed to be used in relation to goods or services for the purpose of -

9. See section 38(2) of the 1938 UK Act.

10. See *Esquire Electronics and anr v D Roopanand Bros (Pty) Ltd* 1986(2) SA 576 (A).

(a) indicating a connection in the course of trade between the goods or services and some person having the right, either as proprietor or as a registered user, to use the mark, whether with or without any indication of the identity of that person; and

(b) distinguishing the goods or services in relation to which the mark is used or proposed to be used, from the same kind of goods or services connected in the course of trade with any other person.

Section 3(1) of the Act provided:

(a) References in this Act to the use of a mark in relation to goods shall be construed as references to the use thereof upon, or in physical or other relation to, goods.

(b) References in this Act to the use of a mark in relation to services shall be construed as references to the use thereof in any relation to the performance of such services.

It will be observed immediately that the definition differs from that contained in the 1938 United Kingdom Act in two substantial respects.¹¹ Firstly, the South African legislation deals with trade marks and service marks in a single definition - drawing little distinction between the two concepts. The corresponding United Kingdom legislation, on the other hand, comprised two different enactments, one relating to trade marks and the other to service marks in which a number of distinctions between the two concepts were set out.¹²

Secondly, pursuant to the view of the Chowles Committee that the traditional view of the trade mark as a badge of origin was in need of revision, section 2(xxi)(b) was added to the definition.

The Committee found in paragraph 50 of its report:

11. See p 102 for the definition of 'trade mark' and 'service mark' in the 1938 United Kingdom Act.

12. See p 93-94 *supra*.

*The Committee is of opinion that the idea that a trade mark is primarily a mark of origin is outmoded; it is in the Committee's view really a mark of quality in relation to price; the public does not in fact concern itself with the origin of goods but it does associate the trade mark with certain standards of quality in relation to the price paid. The trade mark is, in that sense, designed to distinguish goods from the same goods manufactured by competitors. For this reason the Committee feels that this purpose viz. "to distinguish goods" should be embodied in the definition.*¹³

Section 2(b) of the Trade Marks Amendment Act No. 65 of 1991 introduced the following to section 2 (the Definitions section) of the 1963 Act:

"services" includes the offering for sale or the sale of goods in the retail or wholesale trade.

Thus no comprehensive definition of services was provided by the legislation. The definition of a trade mark under the Act however implied that it contemplated a limitation on services to those rendered in the course of trade.¹⁴

The reference to "services" inserted in the definitions section by Act no. 65 of 1991 was introduced after **Corbett J A** had said the following obiter in the **Miele** case:

*And, in my view, it is artificial and incorrect to regard the selling of goods, even if they all emanate from a single manufacturing source, as the provision of services.*¹⁵

It was then held in **Action Bolt**¹⁶ that the selling of goods whether on a wholesale or retail basis was not a

13. Report of the Chowles Committee 2 May 1961.

14. See Webster & Page *Trade Marks* 3rd ed. 23.

15. *Miele et Cie & Co v Euro Electrical (Pty) Ltd* 1988(2) SA 583 (A) 599.

16. *Action Bolt (Pty) Ltd v Tool Wholesale Holdings (Pty) Ltd* 1988(4) SA 752(T).

service contemplated by the 1963 Act. The decision was upheld by the Appellate Division¹⁷ whereafter the legislature intervened by means of Act 65 of 1991.

Thus, in this instance also the position was different to that in England where the service had to be for "money or moneys worth" and the test for a connection in the course of business required payment for the service itself.¹⁸

The concepts "proposed to use" and "connection in the course of trade" never obtained a clearer or different definition in the South African law than they did in the law of the United Kingdom and require no further exposition in the context of the enquiry at which this work is directed, save to note that the latter was one of the means by which the dominance of the origin function was maintained.¹⁹

4. *DISTINCTIVENESS*

The 1963 Act divided the register into two parts - Part A and Part B - an innovation of the 1919 UK Act.²⁰

An applicant, having satisfied the requirements of the definitions section of the Act (section 2) concerning the definitions of "mark" and "trade mark" had to show further that his mark was sufficiently distinctive for Part A registration or possessed the capability of becoming so distinctive for Part B registration.

A mark could not be placed in Part A of the register unless it complied with the terms of section 10 of the Act.

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17. Tool Wholesale Holdings (Pty) Ltd v Action Bolt (Pty) Ltd and Anr 1991(2) SA 80(A); See Visser & Pretorius 1991 (108) SALJ 606-613.
 18. See 'provision' under section 68 of the 1938 UK Act.
 19. See also p 105-107 *supra*.
 20. See p 62 *supra*.

Section 10 provided:

Essential particulars of trade marks registrable in Part A of the register.

(1) In order to be registrable in Part A of the register, a trade mark (other than a certification mark) shall contain or consist of a distinctive mark.

(1A) A mark which is reasonably required for use in the trade shall not be registrable.²¹

(1B) The name of a company, individual or firm not represented in a special or particular manner, a signature other than that of the applicant for registration or of some predecessor in his business, or a word being in its ordinary signification a surname, shall not be registered unless it is proved that it is distinctive.

Thus, in order to qualify for Part A registration a trade mark had to be distinctive. The concept "distinctive" was defined as follows in section 12 of the Act:

Meaning of "distinctive"

(1) For the purposes of section 10 "distinctive" means adapted, in relation to the goods or services in respect of which a trade mark is registered or proposed to be registered, to distinguish goods or services with which the proprietor of the trade mark is or may be connected in the course of trade from goods or services in the case of which no such connection subsists, either generally or, where the trade mark is registered or proposed to be registered subject to limitations, in relation to use within those limitations.

21. "The principle behind the prohibition (and this applies to the exclusion of laudatory terms as well) is that a grant of a trade mark monopoly should not be allowed to unduly limit the rights of others to the free choice of language in describing and extolling their goods and services.": per Nestadt J A in *Sportshoe (Pty) Ltd v Pep Stores (SA) (Pty) Ltd* 1990(1) SA 722(A) 728.

(2) *In determining whether a trade mark is distinctive as aforesaid, regard may be had to the extent to which -*

(a) *the trade mark is inherently adapted to distinguish; and*

(b) *by reason of the use of the trade mark or of any other circumstance the trade mark is or has become adapted to distinguish.*

It will be observed immediately that the 1963 Act moved away from the traditional approach in the United Kingdom embodied also in its 1938 Act (and in the 1916 South African Act) that for a mark to be registrable it had to contain or comprise at least one of a number of essential particulars set out in the Act together with a catch-all category ("any other distinctive mark").

The underlying intention of the earlier South African and the equivalent United Kingdom legislation (including the 1938 Act) was that a mark should be distinctive if it were to be registrable and the categories which were mentioned were those categories which were regarded as being distinctive subject to the qualifications or limitations which the enactment imposed.²² Section 10(1) of the 1963 SA Act simplifies the approach stating specifically that a trade mark must be distinctive in order to qualify for Part A registration, without providing a list of distinctive marks.²³

It is to be noted that like section 9(1)(e) of the 1938 U.K. Act, section 10(1)(B) of the 1963 Act in South Africa in its ultimate form provided that marks comprising the name of a company, individual or firm and not represented in a special or particular manner, a signature other than that of the applicant for registration or some predecessor in his business, or

22. See p 107-121 *supra*.

23. See Webster & Page *Trade Marks* 3rd ed. 32.

words being in their ordinary signification a surname, would not qualify for Part A registration unless proved to be distinctive.

Unlike those categories of section 9 of the U K Act which comprised a word or words having a "direct reference to the character or quality of the goods" (or services in the case of service marks) or marks which were a geographical name according to their ordinary signification and which required evidence of distinctiveness before Part A registration would be allowed, the South African equivalents thereof were not subject to special requirements under the 1963 Act.²⁴

Having regard to the provisions of section 12 of the Act it is clear that in order to qualify as distinctive a trade mark had to have that property which would enable it to distinguish the goods or services connected in trade with its proprietor (and in respect of which its registration was sought or obtained) from those of others. Such a mark would be adapted to distinguish such goods or services and would be distinctive in terms of the Act.

In terms of section 2 of the Act a mark could be inherently adapted to distinguish or it could derive this property through use or other circumstances (factual distinctiveness).

A mark which presented those inherent characteristics which rendered it inherently adapted to distinguish *per se* was registrable under the Act without anything more being required of it.

A mark which featured characteristics which rendered it

24. See Webster & Page *Trade Marks* 3rd ed. 34.

possessed of a discernible inherent adaptability to distinguish but with insufficient quantum to qualify it as inherently adapted to distinguish *per se*, could attain distinctiveness if the factors mentioned in section 12(2)(b) were present in the mark in a sufficient measure to supplement its want of inherent adaptability to distinguish to a degree where it was rendered distinctive by virtue of all of the circumstances appertaining thereto.

Where, however, a trade mark featured no degree of inherent adaptability to distinguish at all, it could never qualify for registration no matter how distinctive it might be in fact.²⁵

Finally, it can be observed that the specific categories of marks historically incorporated in the United Kingdom legislation under the distinctiveness sections received no different or expanded treatment in the South African law and thus did not take on any particular significance or South African character under the 1963 Act.²⁶

5. *PART B OF THE REGISTER*

Section 11 of the Act provided the following regarding the registration of trade marks in Part B of the register:

11 Requisites for registration of a trade mark in Part B of the register

(1) In order to be registrable in Part B of the register, a trade mark shall, in relation to the goods or services in respect of which it is proposed to be registered, be capable of becoming registrable, through use, in Part A of the register in respect of such goods or services.

25. See p 107-121 *supra*. Heublin Inc v Golden Fried Chicken (Pty) Ltd 1982(4) SA 84 (T). Distillers Corporation (SA) Ltd v S.A. Breweries Ltd 1976 (3) SA 514(A) 552-553.

26. See Webster & Page *Trade Marks* 3rd ed. 38-53.

(2) *A trade mark may be registered in Part B of the register notwithstanding the registration in Part A of the register in the name of the same proprietor of the same trade mark or any part or parts thereof.*

Thus, the requirements for obtaining Part B registration in the United Kingdom and in South Africa were different. In the United Kingdom the matter turned on whether a mark earmarked for Part B registration was "capable of distinguishing" the goods or services concerned, which involved a similar kind of enquiry to that adopted in testing for Part A registrability, save that in the latter event the touchstone was whether the mark concerned was "adapted to distinguish" goods or services.²⁷

The requirements for registration of marks in Part B of the South African Register under section 11 was less stringent and involved an enquiry as to whether a mark which did not have the necessary measure of distinctiveness contemplated by section 12 could, with the passage of time, acquire it through use.

It follows that marks without a discernible degree of adaptability to distinguish could never qualify for registration in either Part A or Part B of the Register.

6. *REMAINING DISQUALIFICATIONS*

The applicant for registration of a mark which satisfied the definitions of "mark" and "trade mark" under the Act and which satisfied also the distinctiveness requirements for either Part A or Part B registration, could expect his mark to proceed to registration provided it was not deceptive in the sense that it was identical or closely similar to the mark of another party or was in some other way likely to deceive or cause confusion.

27. See p 121-126 *supra*; Webster & Page *Trade Marks* 3rd ed. 58-62.

This brings me to a consideration of sections 16(1) and 17(1) of the Act where the restrictions on registration are to be found. Section 16(1) bears a significant resemblance to section 11 of the 1938 U.K. Act whilst section 17(1) is clearer, in my view, than its British counterpart in the 1938 U.K. Act, section 12(1).²⁸

6.1 *Marks offending section 16(1)*

Section 16(1) of the 1963 Act, provided:

It shall not be lawful to register as a trade mark or part of a trade mark any matter the use of which would be likely to deceive or cause confusion or would be contrary to law or morality or would be likely to give offence or cause annoyance to any person or class of persons or would otherwise be disentitled to protection in a court of law.

The history of the section is to be found in the Common Law prior to the 1875 U.K. Act and the decisions of the courts in England decided under section 11 of the 1938 U.K. Act afforded substantial guidance to the interpretation of section 16(1) of the 1963 S.A. Act.²⁹

The prohibition against matter which would be likely to deceive or cause confusion in use referred to both confusion resulting from inherent properties in the mark sought to be registered and the external resemblance of such marks to other registered or unregistered trade marks, business names and trading styles and other signs in respect of which it could be shown that they had established a commercial reputation.³⁰ The onus was on the applicant to show the absence of a reasonable probability that the likelihood of deception or confusion

28. See p 126-135 *supra* where the disqualifications under sections 11 and 12 of the 1938 UK Act are discussed.

29. See p 126-128 *supra* regarding the history of the section in the UK.

30. See Wm. Penn Oils International (Pty) Ltd 1966(1) SA 311(A) (decided under section 140 of the 1916 SA Act which was of the same import); Webster & Page *Trade Marks* 3rd ed. 99-111.

contemplated by the section would not arise - indeed the onus was on the applicant throughout to show that his trade mark qualified for registration.³¹ Section 16(1) relates to matters extant at the time of registration and not to matters arising thereafter.³²

The latter part of the section which prohibited the registration of marks likely to give offence or cause annoyance or which were otherwise disentitled to protection in a court of law received little judicial comment in South Africa and will not be discussed as nothing of substance to the thrust of this work will be derived therefrom.

Section 16(1) was often invoked in conjunction with section 10(1)(A) which rendered marks reasonably required for use in the trade not registrable.³³ In particular, sections 10(1)(A) and 16(1) were invoked in conjunction to prevent registration of laudatory epithets and geographical names³⁴ whereas in the UK, geographical names were not registrable under the 1938 Act save as specifically provided for therein.³⁵ In South Africa, no similar specific limitation was taken up in the 1963 Act. Nevertheless, registration of a geographical name could be declined where the mark contained non-distinctive matter, matter common to the trade or matter within the ambit of section 10(1)(A).³⁶

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- 31. See *The Upjohn Company v Merck* 1987 (3) SA 221(T) 224; But see also *Bristol Laboratories Inc. v Ciba Ltd* 1960(1) SA 864(A).
 - 32. *United Bank Ltd and anr. v Standard Bank of SA Ltd* 1991(4) SA 810 819-820. See also *Adcock-Ingram Laboratories Ltd v SA Druggists Ltd*; *Adcock-Ingram Laboratories Ltd v Lennon Ltd* 1983(2) SA 350(T).
 - 33. See Webster & Page *Trade Marks* 3rd ed. 36-38.
 - 34. See *Sportshoe (Pty) Ltd v Pep Stores SA (Pty) Ltd* 1990(1) SA 722(A) 728. See also *Star Shirt and Clothing Factory Natal (Pty) Ltd v Registrar of Trade Marks* 1972(1) SA 502(T) 566-567.
 - 35. See p 113-115 *supra*.
 - 36. *Kentucky Tobacco Corp v Registrar of Trade Marks* 1984(2) SA 335(T) 340.

In testing for a likelihood of deception or confusion under section 16(1) a realistic rather than a narrow technical approach was required.³⁷

6.2 *Marks offending section 17(1)*

Section 17(1) of the S.A. Act provided:

Subject to the provisions of subsection (2), no trade mark shall be registered if it so resembles a trade mark belonging to a different proprietor and already on the Register that the use of both such trade marks in relation to goods or services in respect of which they are sought to be registered, and registered, would be likely to deceive or cause confusion.

The section was akin to section 12 read with section 68(2) (B) of the 1938 U.K. Act.³⁸

Section 17(1) was narrower than section 16(1) in the sense that its operation was confined to deceptive or confusing similarity between the trade mark applied for and an existing registered mark yet wider in the sense that the registered mark was not required to have a market reputation.

The provisions of section 17(1) were peremptory and the Registrar was bound to refuse registration of a mark which was struck by the provisions of the section. In the discharge of that duty the Registrar was concerned with preserving the purity of the Register in the public interest. The onus was on the applicant to show that his application was not struck by the section.³⁹

Although the words "likely to deceive or cause confusion" were common to both sections 16(1) and 17(1) a different test for the presence thereof applied under the two sections. The test under section 17(1) was

37. Ritz Hotel Ltd v Charles of the Ritz Ltd and anr 1988(3) SA 290 (A) 318.

38. See p 130-135 regarding section 12 of the 1938 UK Act and the legislative history thereof which reveals the ancestry of section 17(1) of the 1963 SA Act.

39. See Registrar of Trade Marks v American Cigarette Co. 1966(2) SA 563(A) 571-572.

confined to a comparison of notional user of the mark applied for in respect of the goods or services for which registration was sought with notional fair use of the registered mark in respect of the goods or services covered by the registered specification. The test under section 16(1) was a comparison based upon notional fair use of the trade mark applied for in respect of the goods or services for which registration was sought compared with actual use of the prior mark or commercial sign - which had to have a reputation.⁴⁰

In the case of honest concurrent use or other special circumstances section 17(2) afforded the Registrar the discretion to allow side by side registration of identical or resembling marks subject to limitations if necessary and by way of an exception to section 17(1).⁴¹

Section 17(3) provided for the situation where there was a conflict between pending applications. The Registrar was empowered to refuse both applications until the applicants' rights had been determined by him or settled by an agreement between the parties in a manner approved by him. In the absence of prior user by the later applicant the prior application usually prevailed.⁴²

An applicant who satisfied the requirements of section 2 relating to "mark" and "trade mark" and the distinctiveness sections (section 10 for Part A registration or section 11 for Part B registration), and who overcame the obstacles of sections 16(1) and 17(1), was entitled to obtain registration and the protection afforded registered marks under the Act.

7. *INFRINGEMENT*

40. See Webster & Page *Trade Marks* 3rd ed. 101-102.

41. See section 17(2). See also p 135-137 *supra* regarding the corresponding section 12(2) of the 1938 UK Act and its legislative history.

42. See section 17(3) and Webster & Page *Trade Marks* 3rd ed. 125-127.

Registration of a trade mark under the 1963 Act conferred upon the registrant the exclusive right to use the trade mark in South Africa, subject to the provisions of the Act.⁴³

The origins of the modern law of statutory trade mark infringement under the 1963 Act were to be found in the common law action for passing off. The Act recognised that the underlying principle of passing off, namely, that the use of an identical trade mark or a trade mark so similar as to be calculated to deceive or cause confusion was an improper infringement of the rights to the original mark. The differences between the rights of the proprietor of a registered mark and the "proprietor" of a trade mark at common law in regard to the statutory infringement action afforded the first in contrast to the passing off action afforded the second were:

- (a) the proprietor of a registered trade mark did not have to prove a reputation in the trade mark;
- (b) the right to exclusive use of the trade mark as a badge of origin flowed from its registration.

Nevertheless, the underlying principle of passing off set out above applied also to an action in which the registered proprietor sued an unauthorized user of a deceptively or confusingly similar mark for trade mark infringement.

The foregoing as set out in the **Beecham** case accorded, it was said, with the same general approach which was to be found in English law.⁴⁴

43. Shalom Investments (Pty) Ltd v Dan River Mills Inc. 1971(1) SA 689(A) 706.

44. Per the judgment of Corbett CJ in Beecham Group PLC v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd and anr. 1993(1) SA 546(A) 554-555 (the Beecham case).

Section 44 of the Act provided for two forms of infringement. The first, under section 44(1)(a) comprised the traditional or "passing off" form - the only form statutorily recognised prior to the 1963 Act. The second form, under section 44(1)(b) of the Act, introduced a new and different form of infringement which contemplated use of the offending sign "otherwise than as a trade mark".⁴⁵

The extent of the registered trade mark right was indicated by the infringement actions provided for in the Act which indicated what others were not to do in relation to the registered trade mark.

Section 44 provided:

44. Infringement. - (1) Subject to the provisions of subsections (2) and (3) of this section and of sections 45 and 46, the rights acquired by registration of a trade mark shall be infringed by -

(a) unauthorised use as a trade mark in relation to goods or services in respect of which the trade mark is registered, of a mark so nearly resembling it as to be likely to deceive or cause confusion; or

(b) unauthorised use in the course of trade, otherwise than as a trade mark, of a mark so nearly resembling it as to be likely to deceive or cause confusion, if such use is in relation to or in connection with goods or services for which the trade mark is registered and is likely to cause injury or prejudice to the proprietor of the trade mark:

Provided that in the case of a trade mark registered in Part B of the Register, no interdict or other relief shall, for purposes of paragraph (a) of this subsection, be granted if the defendant establishes to the satisfaction of the court that the use of which the proprietor of the registered trade mark complains is not likely to be taken as indicating a connection in the course of trade between the goods or services and

45. See p 555 of the report of the Beecham case. See also p 240-242, 243-246 *supra*.

some person having the right either as proprietor or as registered user to use the trade mark.

The elements which were to be present for infringement under section 44(1)(a) of the Act were, therefore, the following:

7.1 *Section 44(1)(a) Infringements*

7.1.1 Unauthorized use,

7.1.2 as a trade mark,

7.1.3 in respect of the registered goods or services,

7.1.4 of a mark so nearly resembling the registered mark,

7.1.5 as to be likely to deceive or cause confusion.

The characteristic element of section 44(1)(a) infringements was that the infringing use of the mark complained of had to be use "as a trade mark". This meant that the infringing use had to be in accordance with the definition of a trade mark in section 2 of the Act. Section 2 contemplated use of the trade mark in relation to goods or services for the purposes of indicating a connection in the course of trade between the goods or services and the proprietor of the mark (or those of a registered user) and to distinguish these goods from the same kind of goods or services elsewhere connected in the course of trade.⁴⁶

The unauthorized use had to be upon or in relation to goods or services covered by the letter of the registered specification.⁴⁷

46. Berman Bros v Sodastream Ltd and anr 1986(3) SA 209 (A) 236.

47. Webster & Page *Trade Marks* 3rd ed. 270-271.

The foregoing having been established, the party asserting the infringement was required to discharge the residue of the onus which was to prove a probability of deception or confusion arising from the resemblance of the marks concerned. The section contemplated side by side comparison of the marks on the basis of notional fair use which required use of the registered mark to be postulated in connection with the registered goods or services and use of the infringing mark to be postulated in relation to the same goods or services.⁴⁸

7.2 *Section 44(1)(b) Infringements*

The elements which were to be present for an infringement under section 44(1)(b) of the Act were:

- 7.2.1 Unauthorised use,
- 7.2.2 in the course of trade,
- 7.2.3 otherwise than as a trade mark,
- 7.2.4 of a mark so nearly resembling the registered mark
- 7.2.5 as to be likely to deceive or cause confusion,
- 7.2.6 if such use was in connection with the registered goods or services
- 7.2.7 and was likely to cause injury or prejudice to the registered proprietor.

I have already dealt at length with the origin of section

48. John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd 1977(3) SA 144(T). Metal Box SA Ltd Midpak Blow Moulders (Pty) Ltd 1988(2) SA 446(T). But see also Plascon - Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd 1988 (3) SA 623 (A) 641. In regard to the infringement of container marks see Cointreau et Cie SA v Pagan International 1991 (4)SA 706(A); In regard to infringements in circumstances of parallel importation see Protective Mining and Industrial Equipment Systems (Pty) Ltd v Audiolens Cape (Pty) Ltd 1987(2) SA 961(A); Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd 1987(3) SA 165(D).

44(1)(b) infringements in the Chowles report pursuant to the decision in the **Yeastvite** case⁴⁹ and recorded that the South African version was clearer than the corresponding section in the 1938 U.K. Act which was enacted in response to **Yeastvite**.⁵⁰ This was particularly so after the 1971 amendment to the 1963 S.A. Act.⁵¹

In the **Beecham** case **Corbett C.J.** found that because of the different wording in section 4 of the 1938 U.K. Act and section 44 of the 1963 S A Act, English cases were of limited value as authority in regard to the extended infringement action provided by section 44(1)(b). Insofar, however, as the extended action under both enactments were derived from a desire to provide a remedy in circumstances such as those which came about in the **Yeastvite** case both the English decisions and the South African decisions indicated a resolve to keep the extended action within reasonable bounds and to limit it to cases where the infringer was a trade competitor.⁵²

Corbett C.J. reiterated his words in the **Miele** case where he said:

*(g)eneral guidance may no doubt be derived from the apparent object of section 44(1)(b) which has to extend the scope of infringement to cases where the infringer's use of the mark, though not use as a trade mark, was in order to prey upon or take advantage of the reputation and goodwill of the proprietor of the mark.*⁵³

It was, therefore, held that the history of the legislation and the above-stated general object must be borne in mind in interpreting and determining the scope

49. Irving's Yeast-Lite Ltd v Horsenail [1934] S1 R.P.C. 110.

50. Section 4(1)(b) of the 1938 UK Act.

51. See p 243-246 *supra*. See too the discussion regarding the background to section 48(1)(b) with reference to UK law in the **Beecham** case at p 556-668 of the judgement.

52. P 557-558 of the report of the **Beecham** case.

53. **Miele et Cie GmbH & Co v Euro Electrical (Pty) Ltd** 1988 (2) SA 583(A) 600. See p 558 of the report of the **Beecham** case.

of section 44(1)(b).⁵⁴ It was held further that the words in the section "in the course of trade" meant trading goods falling into the classes for which the trade mark was registered or goods which were so closely associated therewith that use of the trade mark by the infringer in a manner otherwise than as a trade mark would enable the infringer to prey upon or take advantage of the reputation or goodwill of the proprietor of the mark.⁵⁵

The word "injury" in section 44(1)(b) referred to patrimonial loss whilst the word "prejudice" was "a wider concept which would included an impairment of a person's rights and interests not necessarily resulting in patrimonial or pecuniary loss".⁵⁶

7.3 *Infringement of Part B registrations*

Reference to the proviso to section 44 of the Act⁵⁷ reveals that, as in the 1938 UK Act,⁵⁸ the same acts infringed a Part B registration as infringed a Part A registration, save that the defendant was released from liability if he could discharge the onus placed on him by the proviso. In other words a defendant, in order to escape, had to prove that the use complained of was not likely to be taken as indicating a connection in the course of trade between the infringing goods or services and the registrant or a registered user of the registered trade mark.

The essence of the proviso was, therefore, that the infringer had to show on the probabilities that there had not been a passing off. This could be done by showing that the infringed mark did not have the requisite reputation or that the manner in which the

54. P 558 of the report of the Beecham case.

55. See p 559 of the report of the Beecham case.

56. Per Corbett JA in *Miele Et Cie GmbH & Co v Euro Electrical (Pty) Ltd* 1988 (2) SA (A) 583-600.

57. Section 44 is set out in full at p 267-268 *supra*.

58. See p 152-154 *supra*.

infringer had used the infringing mark would not bring about a likelihood of a connection in the course of trade with the complainant.⁵⁹ The proviso to section 44 did not relate to a comparison of the marks side by side but referred to the manner in which the infringing mark was actually used i.e. the use complained of.⁶⁰

8. ASSIGNMENT

Following section 22 of the 1938 UK Act, the common law rule that the assignment of trade marks leads to public confusion and is, therefore, to be prohibited was statutorily modified by means of an amendment in 1947 to section 130 of the 1916 Act. Section 49 of the 1963 Act retained the substance of the section aforementioned.⁶¹

Under the 1963 Act registered trade marks were transferable (assignable and transmissible) with or without the goodwill in the business in all of the goods or services in respect of which the trade mark was registered or in respect of some (but not all) thereof.⁶²

Assignments without goodwill were considered in the **Grand Prix** case in regard to which **Nestadt J A** held:

The submission would seem to be that the effect of an assignment without goodwill is that the assignee acquires no goodwill in the trade mark; this remains with the assignor; after assignment the assignee has to cultivate his own goodwill or reputation in the mark ab initio. This

59. Sportshoe (Pty) Ltd v Pep Stores (SA) (Pty) Ltd 1990(1) SA 722 (A) 733.

60. Tri-ang Pedigree (SA) (Pty) Ltd v Prima Toys (Pty) Ltd 1985(1) SA 448 (A) 472, 474.

61. See p 187-193 *supra* regarding section 22 of the 1938 UK Act. See also section 130 of The Patents, Designs, Trade Marks and Copyright Act No. 9 of 1916 as amended by the Patents, Designs and Trade Marks Amendment Act No. 19 of 1947 and Webster & Page *Trade Marks* 3rd ed. 241.

62. See sections 49(1) and (2) of the 1963 Act. Associated marks could not be transferred separately (see section 38(1)).

is not so. Assignments of trade marks are regulated by s 49(1) of the Act. It permits an assignment of a registered trade mark 'without the goodwill of the business concerned in the goods . . . for which it has been registered'. In so providing, it (or rather its predecessor, s 130 of the 1916 Act, as amended in 1947) altered the previously existing position that a trade mark could only be transferred in conjunction with the assignor's business. The theory was that the public regarded a trade mark as indicating that the goods bearing the mark emanated from a particular business exclusively, and that, if the link between the mark and the business was broken, it would be contrary to public policy to recognise the continuance of any exclusive right to the mark (Kerly (*op cit* para 13-02)). Later, however, it was accepted that the rights under a trade mark are severable from the business in which it is used. Section 49(1) of the Act gives effect to this. The public must, however, not be deceived or confused by an assignment without goodwill. This would occur where the trade mark has continued to identify the goods of the assignor. It would then not distinguish the goods of the new registered proprietor. In this event, the mark can, it would seem, be expunged (Kerly (*op cit* at paras 13-11); Webster and Page (*op cit* at 242 and 246)) as a mark wrongly remaining on the register. But Sportshoe adduced no evidence that after the assignments without goodwill of Grand Prix to Shoe Corporation, Pepkor and Pep, the mark still distinguished the goods bearing it as those of the respective assignors. And, to return to the point of Sportshoe's argument, the use of the mark over the years enabled a reputation in it to be built up which enured to the benefit of the respective assignees despite them not acquiring the goodwill of the assignor's business; in particular, Pep's use of the mark during the period 1982-86, far from leading to any confusion, was by reason of Pepkor's quality control and its relationship with Pep, indicative of a trade connection with it, as the proprietor.⁶³

Section 49(3) permitted the assignment of unregistered trade marks when:

- 8.1 the unregistered trade mark was used in the same business in respect of which a registered trade mark was used at the date of the assignment; and

63. Sportshoe (Pty) Ltd v Pep Stores (SA) (Pty) Ltd 1990(1) SA 722(A) 733-734 (the Sportshoe case).

- 8.2 the unregistered trade mark was assigned simultaneously with the registered trade mark to the same assignee or transferee; and
- 8.3 the assignment was in respect of the goods or services for which the unregistered mark was used and for which the registered mark simultaneously assigned, was registered.⁶⁴

Transfers which would lead to confusion or deception by virtue of the fact that exclusive rights to use identical or closely resembling trade marks in respect of goods or services were thereby vested in more than one person were unlawful subject to the proviso of section 49(4). This proviso was the following:

*Provided that where a trade mark is, or has been, assigned or transmitted in such case as aforesaid, the assignment or transmission shall not be deemed to be, or to have been, invalid under the sub-section if the exclusive right subsisting as a result thereof in the persons concerned respectively are, or were, having regard to the limitations imposed thereon, such as not to be exercisable by two or more of those persons in relation to goods to be sold, or otherwise traded in, or services to be formed, within the Republic (otherwise than for export therefrom) or in relation to goods to be exported to the same market outside the Republic.*⁶⁵

An applicant for transfer could make representations with a view to obtaining a certificate from the Registrar to the effect that the proposed assignment was not invalid under section 49(4), which certificate was generally conclusive unless it was obtained by fraud or misrepresentation.⁶⁶

64. See section 49(3).

65. See section 49(4).

66. See section 49(5).

Section 49(6) required the Registrar to be satisfied that an assignment which involved a geographical division of rights within the Republic would not involve use of the trade marks contrary to the public interest. Section 49(7) provided for the transfer of a trade mark application pending registration and for the substitution of the transferee as the applicant. Section 49(8) specifically provided that decisions of the Registrar in terms of section 49 were appealable.⁶⁷

The procedure for registration of transfer of registered trade marks was provided for in section 51.⁶⁸

9. *LICENSING*

The necessity for a controlled form of trade mark licencing perceived by the Goshen committee in the United Kingdom⁶⁹ was taken up in section 48 of the 1963 SA Act.⁷⁰

According to **Webster & Page**, section 48, in common with section 28 of the 1938 UK Act, sought to protect the public from deception or confusion resulting from the licensing of trade marks by:

- 9.1 Requiring licences to be recorded in the register so as to give public notice thereof;
- 9.2 requiring the Registrar to be fully appraised of the control to be exercised by the licensor over the licence (the permitted use) and to be fully appraised of the relationship between the licensor and the licensee (the registered user). This represented an endeavour to ensure that the goods and services assured by the mark were of the same quality whether they derived from the registered proprietor or a registered user;

67. See sections 49(6) (7) and (8).

68. See section 51.

69. See p 169-170 *supra* regarding the Goshen committee.

70. See Webster & Page 3rd ed *Trade Marks* 221.

- 9.3 requiring the Registrar to be satisfied that the permitted use would not be contrary to the public interest.⁷¹

In the **Adcock-Ingram** case a formalistic approach to trade mark licences under the Act was adopted. It was held:

*The language of s 48 is clear and unambiguous. In terms of ss (2) it is "the permitted use" of a trade mark which is deemed to be use by the proprietor thereof for the purposes of s 36. "Permitted use" is defined in ss (1) (b) as "the use of a trade mark by a registered user thereof". Whether a person is a registered user can be ascertained in only one way, namely by reference to the register of trade marks. If a person has not been registered as such he is not a registered user either de facto or at all.*⁷²

In the **Sportshoe** case Nestadt J A dealt with the traditional argument against trade mark licensing thus:

This is what is known as the licensing of a trade mark and the issue raised by Sportshoe's argument is whether it is permitted, and if so, under what circumstances. It is a controversial issue. According to one view, the answer is in the negative. This is because, so it is said, a licensed user of a trade mark leads to public deception or confusion; either the mark is regarded as the licensee's or else the public would think that the licensee's goods were those of the proprietor. In either event the origin function of a trade mark is impaired. The result is that by reason of the proprietor's conduct the mark ceases to be distinctive. And since distinctiveness is the very essence of a trade mark, the mark is vitiated. The only way to validly grant a licence to use a trade mark is for the user to be registered.

Authority in English law for this approach is the Bowden Wire case

71. See Webster & Page *Trade Marks* 221-222 and sections 31(1)(a) and 48(4) and (5) of the Act.

72. Per Nicholas J in *Adcock-Ingram Laboratories v S A Druggists and anr.* 1983(2) SA 350 (T) 354. In *Ritz Hotel Ltd v Charles of the Ritz Ltd and anr.* 1988(3) SA 290 (A) 316 Nicholas JA observed that the decision in *Adcock-Ingram* that use of a trade mark by a wholly owned subsidiary of the registered proprietor was not use by the proprietor might have to be reconsidered.

*(Bowden Wire Ltd v Bowden Brake Co Ltd [1913] 30 RPC 580 (CS); [1914] 31 RPC 385 (HL)).*⁷³

The court, however, favoured the modern approach:

*In more recent times, however, starting with Bostitch Trade Mark [1963] RPC 183 (Ch), a more lenient view has been taken (see Kerly's Law of Trade Marks and Trade Names 12th ed para 13.24 *et seq*; Webster and Page ((*op cit* at 224 *et seq*)). It is that, subject to certain conditions, the informal licensing of trade marks is permitted. it rests on the postulate that, provided a link in the form of a trade connection between the proprietor and the goods is maintained, deception is avoided and there is, therefore, no loss of distinctiveness. The fact that the proprietor controls the quality of the goods on which his trade mark is allowed to be used would constitute a sufficient trade connection. In this way, the proprietor imposes his identity upon the user's product and thus saves it from being fairly regarded as the product of another maker.*

This was the approach which the Judge a quo adopted. He stated: So long as the proprietor of the trade mark controls the quality of the goods on which this trade mark is used by another, rights in the trade mark are not vitiated and it matters not . . . whether or not there is a formal entry of the use on the register.

*I endorse this statement. Despite the reservations expressed in this regard by Webster and Page (*op cit* at 232), I do not think that s 48 should be regarded as exhaustive of the circumstances in which the use of a trade mark, by someone other than the proprietor, may take place. Where there is quality control by the proprietor, providing as it does a trade connection, this would be in accordance with the definition of a trade mark as contained in s 2(1) of the Act.*⁷⁴

The matter involved, *inter alia*, use of a trade mark by a wholly owned subsidiary in accordance with an unregistered arrangement (as was the case in the **Adcock-Ingram** case). In this regard it was held:

73. P 729 of the report of the Sportshoe case.

74. P 729-730 of the report of the Sportshoe case.

Above all, this Court in Protective Mining & Industrial Equipment Systems (Pty) Ltd (formerly Hampo Systems (Pty) Ltd) v Audiolens (Cape) (Pty) Ltd 1987 (2) SA 961 (A) would seem to have favoured the view that an arrangement between a registered proprietor of a trade mark and a party concerned to use such mark does not require to be registered; the enquiry is whether the authorised use of the mark is such as to deprive it of its very reason of existence, namely, as a mark which should distinguish the proprietor's goods from the goods of other makers. This is the ratio of Bostitch which (at 989I-990B) is referred to by Grosskopf JA with apparent approval.

I turn then to the factual enquiry as to whether, during the years in question, a trade connection, in the form of quality control, was maintained between Shoe Corporation and Pep and then later between Pepkor and Pep. If it was, the public would, in accordance with the principles I have referred to, be taken not to have been deceived and the mark would therefore have retained its distinctiveness.⁷⁵

Clearly, however, it was advisable for licensees to be recorded as registered users under the 1963 Act. The registered user could then institute an action in own name for infringement of the registered trade mark if the registered proprietor failed to take action after two months' notice by the registered user calling on him to do so.⁷⁶ Furthermore, permitted use of the registered trade mark by the registered user was deemed to be use by the registered proprietor for all purposes both under the Act and at common law.⁷⁷ This provided a defence against removal of the registration for non-use under section 36(1) of the Act.

Finally, it is to be noted that section 48(6) authorised the Registrar to refuse to record a registered user arrangement if it appeared to him that the grant thereof would tend to facilitate trafficking in a trade mark.

75. P 730-731 of the report of the Sportshoe case.

76. See section 48(3).

77. See section 48(2).

In the **Football World Cup**⁷⁸ case **Joffe J** granted judicial approval to licensing in the form of character merchandising of the kind reluctantly eschewed by the House of Lords in the **Holly Hobbie** case.⁷⁹

*Character merchandising is defined as being the business of merchandising popular names, characters and insignia in order to enhance the sales of consumer products in relation to which such names and characters are used.*⁸⁰

In this fashion judicial recognition was accorded also to the advertising and selling functions of a trade mark.⁸¹

10. THE COURTS AND PROPERTY IN TRADE MARKS

This paragraph discusses a number of cases decided prior to the enactment of the Trade Marks Act No. 194 of 1993 which reflected upon the establishment and nature of the property right to a trade mark in South Africa.

A number of these cases concerned the claims of a foreign party to a mark of which the claimant was a proprietor elsewhere than in South Africa after its unauthorized adoption in South Africa in connection with a local undertaking.

In the **Slenderella** case,⁸² which provided the authority upon which a number of subsequent decisions were based, the U.S. corporation (Slenderella) alleged passing-off. In order to establish that it had a right of property in South Africa which could found a passing-off Slenderella adduced evidence that -

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- 78. Federation Internationale de Football and ors. v Bartlett and ors. 1994(4) SA 722(T).
 - 79. Holly Hobbie TM R.P.C. 329. See also Ex Parte Ziman and ors. 1970(1) SA 164(T).
 - 80. Per Joffe J at p 736 of the report of the Football World Cup case.
 - 81. See p 482-485 *infra* regarding these functions.
 - 82. Slenderella Systems Inc. of America v Hawkins and anr. 1959(1) SA 519(W).

- 10.1 the name **Slenderella** had been widely used and become distinctive of its business of providing slimming and weight-reducing treatments in the U.S.A. and in certain other countries (but not in South Africa);
- 10.2 the name **Slenderella** had appeared in advertisements of its treatments in various magazines published outside South Africa but widely circulated in this country.

The evidence also showed that Slenderella -

- 10.3 had registered the trade mark **Slenderella** in South Africa in respect of foodstuffs and paper goods (but no serious case for trade mark infringement was made out);
- 10.4 at the date of commencement of the application Slenderella had not conducted any business or introduced any goods to the South African market.

The court held against Slenderella as it had, in the view of the court, not established the requisite goodwill or reputation to found a right of property which could be infringed in South Africa.

The court relied upon the English cases of **Robineau**⁸³ and **Poiret**⁸⁴ which decided that in order to establish a right of property in England a *peregrinus* did not necessarily have to carry on business in that jurisdiction. It was sufficient if the sale of his goods there gave rise to a right of property in a reputation, name or goodwill attaching to the goods or business.⁸⁵

Williamson J held:

83. Robineau v Charbonnel 1876 W.N. 160.

84. Poiret v Jules Poiret Ltd and A.F. Nash [1920] 37 R.P.C. 177.

85. In other words, it was not necessary for the *peregrinus* to have an undertaking in the jurisdiction. A business in the goods concerned was however required. The law in the UK developed a less stringent approach over time. See p 184-185 *supra* and 607-608 *infra*.

*In the present case the petitioners, in my view, have wholly failed to establish that they have any right of property in South Africa in the name "Slenderella" as applied to the carrying on of what has been termed "the slenderising business". The fact that they carry on such a business in other jurisdictions and that journals or magazines from overseas containing their advertisements have perchance been circulated in this country and read by persons in this country, cannot by itself confer on them any right of property within this country cognisable by a Court of law.*⁸⁶

The **ST. MICHAEL** case⁸⁷ re-introduced an issue to the line of cases involving the trade marks of *peregrini* which was, in my view, to become a significant distraction from the proper basis upon which such cases should have been brought, namely, the establishment of a protectable right (not necessarily in the form of goodwill) within the territory of South Africa. The element to which I refer is the attack by the *peregrinus* based upon want of morality on the part of the local party in the appropriation of the foreign mark.⁸⁸

The trade mark **ST MICHAEL** was registered by GREATERMAN'S in numerous classes in the then Federal Trade Mark Registry.

The mark had, however, been devised by MARKS & SPENCER and registered in the United Kingdom as a trade mark for clothing during 1928. Thereafter, it had been registered in numerous classes both in the United Kingdom and in many other countries.

MARKS & SPENCER had used the mark extensively and it was well-known by British immigrants to the then Federation as the trade mark of MARKS & SPENCER. GREATERMAN'S, on the other hand, was a subsidiary of GREATERMAN'S SOUTH AFRICA

86. At p 521-522 of the report of the case. This is not to say that advertisements of the kind have no relevance, as the discussion of the K Mart case below illustrates.

87. Greaterman's Stores (Rhodesia) Ltd v Marks & Spencer (Southern Rhodesia) (Pvt) Ltd 1963 (2) SA 58 (F.C.) (the St. Michael case).

88. This ground was brushed aside in the Slenderella case (at p 522).

which had decided to adopt the mark and register it in South Africa in 1943.

At all relevant times the South African company knew of the registration of the mark by MARKS & SPENCER in the United Kingdom.

The Rhodesian subsidiary of the South African company had obtained twenty-one registrations of the mark in various classes since 1954. At all relevant times this company knew of the registration of the trade mark by MARKS & SPENCER in the United Kingdom.

The court found that as at 1954 most British immigrants considered the mark to be that of MARKS & SPENCER whilst most South African immigrants at the same time associated the mark with GREATERMAN'S.

The court expunged the registration on the basis that use of the mark by GREATERMAN'S was likely to cause public confusion and deception.

The court however held that it could not expunge the mark on the further ground that the registration was contrary to morality because of the manner of adoption of the mark by GREATERMAN'S.⁸⁹

During 1963 two judgments considered the nature of the right to a trade mark.

In **Rembrandt (Edms) Bpk v Gulf Oil Corporation** the court regarded the registered trade mark as a right *in rem* created by statutory registration. **Steyn CJ** held:

In terms of sec. 132 (1) read with sec. 4 of the Act, the register of trade marks is kept at the trade marks office in Pretoria. That register reflects not only the title of a proprietor of a trade mark, but also such

89. See p 67-68, 75 of the report of the case.

transactions and proceedings in respect of it as are expressly dealt with in the Act. There is provision for renewal of registration (sec. 128), for removal of a trade mark from the register (secs. 129, 133 (1), 136), assignment transmission, apportionment and permitted use of a trade mark (secs. 130-131 *bis*), disclaimer (secs. 132(1) (b), 133 (1) (e)), the striking out of goods or classes of goods from those in respect of which a trade mark is registered (sec. 133 (1) (d)), alterations of and additions to a trade mark (sec. 134), the expunging of wrong entries and the insertion of any exception or limitation affecting the registration of a trade mark (sec. 135). After the expiration of seven years from the date of registration, the registration, in the absence of fraud, becomes conclusive evidence of the validity of the registration, and subject to the other provisions of the Act, of the proprietor's right to the exclusive use of the trade mark (sec. 123(3)). According to sec. 124, registration is a condition precedent to proceedings to prevent infringement of a registrable trade mark or to recover damages for infringement. It is apparent from these provisions that generally speaking, the existence of an exclusive right to a trade mark flows from and is dependent upon registration, and the nature and extent of such a right is determined by the entries in the register. The right to a registered trade mark is effectively assigned, transferred, modified, partly divested of its exclusiveness, or terminated, by such entries. It follows, I think, that it is situated where the register is kept. (Cf. Boyd v Commissioner for Inland Revenue, 1951 (3) S.A. 525 (A.D.) at p. 533; Lamb v. Commissioner for Inland Revenue, 1955 (1) S.A. 270 (A.D.) at p. 278). It is not contended that such a right is not a right *in rem*.

It is correct, of course, as submitted by counsel for the appellant, that the respondent does not claim any right of property or title to the appellant's trade mark in respect of the goods in question; but it does claim the extinction, by the expungement of the relevant entry, of the appellant's exclusive right to this trade mark *ex facie* the register in respect of these goods, i.e. the termination *pro tanto* of its existing right *in rem*, by the severance from it of so much as relates to these goods. This claim cannot be satisfied in any other way than by a deletion of the relevant entry in the register, to be effected by the Registrar, and is not in the nature of an *actio in personam* against the appellant.⁹⁰

90. Rembrandt Fabrikante en Handelaars (Edms) Bpk v Gulf Oil Corp. 1963(3) SA 341(A) 348-349.

In the **Everglide** case⁹¹ (which concerned the adoption of the trade mark **Everglide**) the court considered the concept of *dominium* in regard to trade marks. **Trollip J** held:

An important object of registering a trade mark is undoubtedly to record in the public register the name of the person who is the proprietor thereof, and the effect of registration is to confirm (subject to the defeasance provisions in the Act) the registeree's proprietary rights, especially his right to the exclusive use of the trade mark (sec. 123). This right to exclusive use is, of course, an important incident of dominium in respect of all things, but in regard to trade marks it is a fundamental characteristic of proprietorship. It is true that sec. 110 provides that any person "claiming to be proprietor of a trade mark" may apply for registration of "his" trade mark. I think that that provisions is cast in that form mainly to enable the applicant to apply for registration and (if there is no challenge to his title) to obtain registration without the Registrar's first having to be satisfied that he is actually the proprietor of the trade mark. For this purpose it is sufficient that he merely claims to be the proprietor. But if his proprietorship of the trade mark is challenged, either before or after registration, then the issue to be determined is whether or not he is or was the proprietor in actual fact at the relevant time, the onus of proof being on the applicant before registration and on the aggrieved person after registration (cf. Vitamins Ltd.'s Application, 1955 (3) A.E.R. 827 at p. 834).⁹²

The court went on to say regarding the acquisition of the right:

The usual way in which a person becomes the proprietor is by acquiring, inventing or otherwise originating the mark and actually using it. It is not clear whether intended user instead of actual user is sufficient. Sec. 96 of the Act defines a trade mark as including a mark not only used but also "proposed to be used" which seems to indicate

91. *Broadway Pen Corporation and anr. v Wechsler & Co. (Pty) Ltd and ors.* 1963(4) SA 434(T).

92. At p 444 of the report of the case.

*that intended user would be sufficient, but that is not beyond doubt and I shall merely assume, without deciding, in respondents' favour that that is so.*⁹³

In regard to ownership of incorporeal rights in relation to trade marks the court held:

Generally, no one can become the owner of any incorporeal right without having the necessary animus possidendi and that applies with equal force to trade marks (cf. New Atlas Rubber Co. Ltd., (1918) 35 R.P.C. 269 at p. 275). Indeed, another way of looking at the matter is that without that intention, the mark itself would not be a "trade mark" as defined in sec. 96 because it would not be one

"proposed to be used upon or in connection with goods for the purpose of indicating that they are the goods of the proprietor, etc."

and it would therefore not be capable of being registered in the name of the person claiming proprietorship (cf. New Atlas Rubber Co. Ltd., ibid). The fullest and most illustrative application of these principles are to be found in cases of the user or intended user of the mark by an agent for his principal in regard to which Halsbury, (3rd ed. vol. 38 para. 891 p. 356), summarises the effect of the numerous cases it cites as follows:

"Registration may also be refused where it is shown that, although the mark has been used by the applicant, such use was as agent for some other person, and that the mark really indicated the goods of the latter."

*That, of course, is not confined to cases where the relationship is technically and strictly that of principal and agent; it would also apply whenever the user or intended user of the mark is for or on behalf of another and not exclusively for the benefit of the person using it.*⁹⁴

Thus, in the **Everglide** case, the court regarded the right of the proprietor of a registered trade mark - subject to the provisions of the Act - as an incorporeal right capable of ownership and over which the proprietor could exercise *dominium*. In order to do so the necessary *animus possidendi* had to be present.

93. At p 444 of the report.

94. At p 445 of the report.

I have some discomfort with the attribution of the concept of ownership and *dominium* to incorporeal things in a manner akin to the application of those concepts to things. I have been led to the conclusion, set out fully in chapter 16 of this thesis, that the right to a trade mark is an independent subjective right with entitlements derived from the functions which trade marks perform. This construction of the trade mark right is in my view well suited to the nature of the property which trade marks comprise.⁹⁵

In the **Burger King** case in the court of the Registrar of Trade Marks an attack based on the approach that the local adoption of a foreign mark in the particular circumstances of the case was tainted with unlawfulness, was upheld.⁹⁶

The case involved *inter alia* opposition by the BURGER KING CORPORATION of the U.S.A. to the registration of the trade marks **Burger King** and **Kingsburger** in relation to hamburgers, sandwiches, bread rolls and related goods by WIMPY.

The U.S.A. corporation had neither registered nor used the **Burger King** trade mark in South Africa and the Registrar found that it had not established a reputation in the mark in South Africa. Nevertheless, because the managing director of WIMPY had known of the reputation of the **Burger King** mark in the United States and had deliberately proceeded with the application despite this, the Registrar found bad faith and a deliberate misappropriation of the **Burger King** mark by WIMPY. Registration by WIMPY was, therefore, denied. (Registration was also denied on other grounds namely that WIMPY had sought to register a service mark under the guise of a goods mark).

This case, in holding that adoption of a foreign mark with knowledge of its overseas registration tainted the

95. See p 213-215 *supra* and 515-516, 558-564 *infra*.

96. SA Wimpy (Pty) Ltd v Burger King Corporation. Patent Journal September 1978. 166.

applicant to such a degree that registration was therefore to be denied, was not followed.

However, registration could have been denied a local applicant in such circumstances where such conduct would have led to public confusion as contemplated by the **ST MICHAEL** case.⁹⁷

A line of cases was, however, developing upon the basis provided by the **Slenderella** case which required a *peregrinus* to prove reputation or goodwill in South Africa in the trade mark concerned in local adoption of foreign trade mark cases and passing-off cases based upon a foreign mark.

In Rhodesia, **Davies J** relied upon the **Slenderella** case in the **Pick-'n-Pay** case and stated:

*I conclude, therefore, that since the applicant has never traded in this country and has acquired no goodwill in this country, it has not established a reputation here within the meaning of that word as used in passing-off actions, and that accordingly it has no right the relief sought.*⁹⁸

In the **Dallas** case⁹⁹ **Van Dijkhorst J** referred to this principle thus:

*In my view the decisions overwhelmingly support the requirement of a reputation or goodwill on the part of a plaintiff in a passing-off action. This does not mean that a party will be without relief should he have no reputation.*¹⁰⁰

97. See p 74 of the report of the St. Michael case.

98. **Pick-'n-Pay Stores Ltd v Pick-'n-Pay Suprette (Pvt) Ltd** 1973(3) SA 564 (R) 571.

99. **Lorimar Productions Inc v Sterling Clothing Manufacturers (Pty) Ltd**, **Lorimar Productions Inc. v OK Hyperama Ltd**, **Lorimar Productions Inc. v Dallas Restaurant** 1981(3) SA 1129 (T) (The Dallas case).

100. P 1139-1140 of the report of the Dallas case.

A cogent assessment of the significance of this case is provided by **Rutherford**:

The case of Lorimar Products Inc v Sterling Clothing Manufacturers (Pty) Ltd involved an alleged concealed misappropriation of the advertising value in the absence of any confusion of sponsorship, ie the products in question were unrelated. The manufacturers of the Dallas television series applied for an interdict to restrain respondents from using in respect of their business, clothing and other goods any of the characters and names such as Dallas, Southfork and JR depicted in the Dallas television series. The court first considered whether respondent's conduct amounted to passing off. As the applicant could not establish that the names and characters had acquired any reputation, an interdict was refused. The parties were not competitors and the products involved were not related. Therefore there could be no question of passing off, unlawful competition or, for that matter, confusion as to sponsorship. Presumably the question which the court was actually addressing under the guise of passing off was whether the respondent had infringed the plaintiff's right to goodwill by misappropriating the advertising value of its names and characters. All that the applicant should have been required to prove, was that its marks, names or characters had acquired a reputation or advertising value in relation to its own products, which reputation has been misappropriated and exploited by the respondent. As the applicant could not establish the required reputation or advertising value, it is submitted that the interdict was correctly refused.

The court then proceeded to consider whether the respondent's conduct amounted to unlawful competition. As the parties were not competitors and there could, therefore, be no question of unlawful competition, one must assume that the question which the court was actually considering was whether the applicant had acquired some right in the characters and names which was worthy of protection. The court then applied the boni mores test for unlawfulness. Various factors were taken into account, including the protection already afforded by statute and established common law remedies, the ethics of the business community concerned, an inherent sense of fairplay and honesty, the importance of a free market and strong competition in the economy, the question whether the parties were competitors,

*conventions with other countries and the law of the UK and USA. The court came to the conclusion that the unauthorised use of the applicant's characters and names by the respondent was not contra bonos mores. In reaching this conclusion, the court decided by implication that the applicant had not established any protectable right in its names and characters.*¹⁰¹

In the **K Mart** case¹⁰² a South African applicant sought to expunge the **K Mart** trade mark registrations of the U.S. corporation in South Africa on the basis of non-use thereof under the 1963 Act.

The court found that the U.S. corporation had, for many years, had an active interest in markets outside the U.S.A. (including South Africa) and in establishing trading outlets and other business connections in South Africa. It had for instance promoted its interests by means of extensive advertisement of its goods and services in magazines and periodicals which were distributed also in South Africa.

Furthermore, it had actively pursued business connections and negotiated the establishment of trading outlets in South Africa, it had purchased goods in South Africa and had on a few occasions supplied goods to purchasers in South Africa who responded to its advertisements. At all relevant times the goods advertised were available for delivery in South Africa.

The court found that the U.S. corporation had used its trade mark during its communications with certain South African companies and, during the promotion and advertisement of its business services and goods, had used the trade mark **K Mart** in respect of all the services and goods covered by its registrations.

101. Rutherford - Misappropriation of the advertising value of trade marks, trade names and service marks - in Neethling (ed) *Onregmatige Mededinging* 55-69 62-63.

102. **K Mart (Pty) Ltd v K Mart Corporation** TPD 15 December 1987 (unreported) (the **K Mart** case).

Further use of the trade mark was found in correspondence with interested parties in South Africa, in representative samples of its private label merchandise in other catalogues, and in pricelists distributed in South Africa and the offer for sale of certain goods here. The court agreed with the proposition that where a registered proprietor commences a series of advertisements featuring a mark as part of an introductory campaign prior to putting goods on the market under the mark and before they were actually on the market, such use was use of the trade mark in the course of trade. The court held that such use was sufficient to refuse expungement of the marks.¹⁰³

Although the court was testing for use to defeat an expungement application on the basis of non-use and not for use establishing a right of property, it is notable that a limited measure of peripheral use of the mark coupled with minimal actual trading activity and the intention to establish trading outlets in the future in South Africa was held to confirm the validity of the registered trade mark rights.

The **Ruffles** case¹⁰⁴ was an application for an interdict based on passing-off and unlawful competition by PEPSICO to restrain the Respondent from using the name **Ruffles** in relation to snack foods in general and potato chips in particular. The facts were the following:

PEPSICO had presented a new type of potato chip to members of the snack food trade which they proposed to market under the name **Ruffles** in South Africa.

The **Ruffles** brand was one of the largest selling brands of potato chips in the U.S.A. and elsewhere.

The Respondent obtained knowledge of the imminent public

103. See p 22 of the typed report of the judgment of Eloff Dep. JP.

104. Pepsico Inc and ors. v United Tobacco Co Ltd 1988(2) SA 334 (W).

launch of the chip in South Africa by PEPSICO and immediately entered the market ahead of PEPSICO with a similar chip named **Ruffles**.

The court held that although a product could only have a reputation if it had entered the market in the territory, there was sufficient proof of such a reputation of the mark in South Africa because South African traders were well aware of its international reputation by virtue of the PEPSICO presentations already mentioned.

It did not matter in these circumstances that the product had not gone through to the final consumer as the mark had become associated with the product in South Africa. A reputation had been acquired by demonstration. A passing off had taken place.¹⁰⁵

Although, in my view, the decision was in need of testing on appeal it serves to show a willingness on the part of some courts to find the presence of the requisite reputation where the court's sense of justice appears to require it. In the **Ruffles** case the court found sharp practice constituting unlawful competition.¹⁰⁶

In the **Tie Rack** case,¹⁰⁷ a United Kingdom applicant for relief had successfully established the business of selling men's ties and other clothing accessories in well located outlets in London and this business had been extended to other cities in England, North America, Europe and Australia. The business was conducted under the sign **Tie Rack** and a distinctive logo had been devised for its shops.

No such business was conducted in South Africa, however, and the applicant had no plans to extend its business to South Africa. Nevertheless, the shops were well-known to many South Africans who travelled overseas.

105. See p 350 of the report of the case.

106. See p 349 of the report.

107. *Tie Rack plc v Tie Rack Stores (Pty) Ltd* and anr 1989(4) SA 427(T).

The trade mark **Tie Rack** was registered in South Africa by a South African company during 1985 and these rights were subsequently assigned to the Respondent in the case during 1987.

The Respondent commenced business under the name **Tie Rack** in South Africa and an artist was instructed to design a logo for the Respondent business. The artist was furnished with one of the Applicant's carrier bags as an indication of the kind of logo that the Respondent had in mind. What resulted was a logo very similar to that of the Applicant.

The Applicant sought relief on the basis of passing-off, unlawful competition generally, expungement of the Respondent's trade mark registration and copyright infringement.

The court held that copying is not passing-off.¹⁰⁸ Furthermore, as the Respondent had never traded in South Africa it had no goodwill in this country. Thus, as no assailement of goodwill had been established the passing-off claim failed.¹⁰⁹ The **Slenderella** case was applied.¹¹⁰

That many people in South Africa might know of the Applicant's business abroad and may have been misled into believing that the Respondent's shops were in some way associated with the United Kingdom operation did not afford the Applicant a proprietary right in South Africa. The Applicant had no business of any kind in South Africa and nothing the First Respondent had done or was likely to do could harm the Applicant in a patrimonial sense in South Africa.¹¹¹

108. P 441 of the report of the case.

109. P 445 of the report.

110. See p 443-445 of the report.

111. P 445 of the report.

Similarly, the claim based on unlawful competition failed. The parties had never been in competition since the Applicant had no business in South Africa and had no intention of doing business in this country.¹¹²

The trade mark registration was challenged on the basis that the Respondents were not the proprietors of the trade mark within the meaning of the 1963 Act. In the view of the court an applicant could rightly claim to be the common law proprietor of a trade mark if he originated, acquired or adopted it and either had used it to the extent that it had gained a reputation as connecting the goods in relation to which it was used to the claimant, or, if the mark had not been used at all or to the foregoing extent, that the claimant proposed to use it. As trade marks operate on a territorial basis the use contemplated must, therefore, have been use within the territorial boundaries of South Africa.¹¹³

An applicant for a trade mark could be regarded as the author of the trade mark in South Africa even if he had copied or selected or adopted it in respect of certain goods from a trade mark registered and used - even extensively - in respect of the same goods in a foreign country. The only proviso would be that there must have been no prior use of the trade mark by the overseas party in South Africa.¹¹⁴

As in the instant case there had been no use of the mark by the United Kingdom company in South Africa, it could not, the court held, attack the registrant's proprietorship.¹¹⁵

Other attacks on the registration based on allegations of trafficking, public deception and confusion, want of a *bona*

112. P 445-446 of the report.

113. P 446 of the report.

114. P 447 of the report.

115. P 447 of the report.

fide intention to use the mark on the part of the original applicants and a specific attack on the registration of the mark in class 42 failed.¹¹⁶

The court did, however, hold for the Applicant on the basis of an infringement of copyright.¹¹⁷

In the **Victoria's Secret** case¹¹⁸ the Appellate Division settled the law under the 1963 Act relating to the appropriation of foreign trade marks. **Nicolas A J A** held regarding proprietorship of trade marks under the Act:

*By the words "claiming to be the proprietor of a trade mark" in s. 20(1) is meant "asserting a claim to be the proprietor of a trade mark". The word "proprietor" (which is not defined in the Act) is not here used in relation to a common law right of property. Nor does it import ownership of the "mark" as such.*¹¹⁹

It was also stated:

In terms of s 20(1) one can claim to be the proprietor of a trade mark if one has appropriated a mark for use in relation to goods or services for the purpose stated, and so used it. (I use the verb appropriate in its meaning of 'to take for one's own'. It is a compendious expression which comprehends the words favoured by Mr Trollip in the Moorgate judgment, namely originate, acquire and adopt.)

*Section 20(1) applies not only to a person claiming to be the proprietor of a trade mark used by him, but also to a person claiming to be the proprietor of a trade mark proposed to be used by him.*¹²⁰

Registration and extensive use of a trade mark in a country outside of South Africa did not in itself constitute a bar to its adoption and registration by some

116. See p 447-449 of the report.

117. P 449-450 of the report.

118. *Victoria's Secret Inc v Edgars Stores Ltd* 1994(3) SA 739(A).

119. At p 744 of the report of the case.

120. At p 744-745 of the report. See *Moorgate Tobacco Company Limited v Philip Morris Inc.* R.T.M. 21 May 1988.

other person in South Africa. That copying of this kind was regarded by some as being morally reprehensible did not affect the issue. There was no legal bar to the adoption of a foreign trade mark in South Africa in relation to which no one else had asserted a similar right in the territory.¹²¹

Where, however, the adoption of the foreign trade mark is "attended by something more" such as dishonesty, breach of confidence, sharp practice and the like, which vitiated or tainted the right or title to proprietorship, a different result might obtain.¹²²

The court declined to relinquish the territoriality principle in order to rely upon a reputation established by the Applicant in the U.S.A. which, on the facts, had no counterpart in South Africa. The Applicant had not established that the mark was well known or had established the requisite degree of reputation in the trade mark in South Africa to obtain relief.¹²³

Thus, in all cases involving disputes concerning foreign trade marks whether in regard to the true proprietorship thereof or in situations of passing-off or unlawful competition an essential question is whether the *peregrinus* has an established right to the trade mark in the territory of South Africa.

The enquiry into this question in the cases has been largely limited to whether the *peregrinus* has a reputation or goodwill in the mark in South Africa.

In the **McDonald's** case **Southwood J**¹²⁴ held in relation to the passing-off aspect of the matter:

121. P 745-746 of the report.

122. See p 747 of the report.

123. P 748, 755 of the report.

124. *McDonald's Corporation v Joburgers Driver-Inn Restaurant (Pty) Ltd and anr; Dax Prop CC v McDonald's Corporation and anr; McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and Dax Prop CC* as yet unreported TPD judgment dated 5 October 1995, 102-103 (henceforth the McDonald's case).

McDONALD'S has to prove not only that it has acquired a reputation in South Africa but that it has a goodwill in South Africa (Slenderella Systems Inc of America v Hawkins 1959 1 SA 519(2) at 521A-522E; Pick 'n Pay Stores Limited v Pick 'n Pay Suprette (Pvt) Limited 1973 3 SA 564(R) at 566A-571H; 1974 1 SA 597(RA) at 600A; Tie Rack plc v Tie Rack Stores (Pty) Limited 1989 4 SA 427(T) at 442F-445D; Haggar Company v SA Taylor's Craft (Pty) Limited 1985 4 SA 569(T) at 574B-C; Lorimar Productions Inc v Sterling Clothing Manufacturers (Pty) Limited 1981 3 SA 1129(T) at 1139E-1140A; Hyperama (Pty) Limited v OK Bazaars (1020 Limited unreported judgment, Lesotho Court of Appeal case number 20/88 (12 June 1990); Philip Morris Inc v Marlboro Shirt Co SA Limited *supra* at 732G-733C. Goodwill is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached. In the case of peregrini, it has been held that it is not necessary that the peregrinus should actually carry on business in South Africa. As appears from the judgments quoted the minimum requirements for protection of a peregrinus against passing off in South Africa are first, the selling or marketing of his goods or services in the Republic and second, the acquisition of a reputation. *McDONALD'S* has not done business in South Africa nor have any of its goods or services been offered for sale in South Africa. *McDONALD'S* therefore has no goodwill in South Africa. With regard to the question of a requirement of reputation this must extend to a substantial number of members of the public (Adcock Ingram Products Limited v Beechams SA (Pty) Limited 1977 4 SA 434(W) at 436H-437A. I have already found that *McDONALD'S* has not established that it has such a reputation in South Africa.

It appears to me that the commixture often apparent between the concepts of "reputation" and "goodwill" can exclude peregrini from relief where a basis for relief might indeed be present. In my view, reputation in relation to trade marks is indicative of the possibility that a trade mark has acquired distinctiveness in a territory whilst the presence of goodwill in relation to the mark indicates that the trade mark has taken on a particular attractive force (goodwill) in the territory indicating the presence of a business in relation to the mark in the territory. The crucial question is whether the presence of a

reputation alone in a territory is able to establish a right to the trade mark there for the existence of which a business in the mark in the territory to which goodwill has accrued is not prerequisite.

In the **Delta** case **Curlewis J**¹²⁵ said:

A person can obtain a reputation in a name, and, if he does so, it becomes property in his hands and he can protect it. What is protected is not the name, since there is no monopoly in a name, but the goodwill which is attached to that name. The reputation is this, that the public associate the name with the plaintiff's business or goods. In regard to 'goods', this means that the public when it sees the name used in relation to goods, believe that the goods come from a particular source. In the case of a business, it means that the public identify the plaintiff's business by that name or a particular business by that name, even though they do not know the plaintiff's full name.

The concepts of goodwill and reputation are not, however, congruent. Goodwill is not merely a particular quantum of reputation.¹²⁶ The distinction is aptly drawn by **Wadlow**:

Goodwill as a form of legal property is to be distinguished from reputation, which is a matter of fact. The two are very closely related and a business with goodwill (at least in the sense in which it is used in passing-off) can hardly fail to have a reputation. The converse, however, is not true, and the existence of a reputation associated with a person, product, name or mark does not necessarily imply the existence of goodwill: "[T]hat, as it seems to me, is to confuse goodwill, which cannot exist in a vacuum, with mere reputation which may, no doubt, and frequently does, exist without any supporting local business, but which does not by itself constitute a property which the law protects."

Reputation can be relevant to the passing-off action in three respects. The most important is that proof of misrepresentation often turns on the reputation of the plaintiff's mark in the sense of its being

125. Delta SA (Pty) Ltd and anr. v Delta Motor Corporation) (Pty) Ltd 29 April 1987 (unreported) at p 2 of the typed judgment.

126. See the discussion regarding goodwill at p 170-187 *supra*.

*recognised as distinctive by a sufficiently large proportion of the public. The other two are that the plaintiff's reputation, in a somewhat different sense, will suffer if the goods passed off by the defendant are inferior; and that the existence of reputation may go some way to proving the existence of goodwill. It is unfortunately not uncommon to find the word "reputation" used interchangeably in the various senses of widespread repute, perceived high quality, distinctiveness, and goodwill in the strict sense. Likewise "goodwill" is often used when reputation in some sense is meant.*¹²⁷

It is my thesis that there is an independent right to the trade mark as a distinguishing sign which is in the nature of a subjective right with entitlements derived from the functions of the trade mark. The trade mark as the object of this subjective right exhibits a range of values connected with its functions in relation to which the value of distinction (which means that the trade mark functions to distinguish between enterprises or between the product of different enterprises) is both invariable and characteristic. The presence of goodwill related values which are not a *sine qua non* for the existence of the trade mark and which may or may not be present in connection with a particular trade mark (in a particular territory for example) is a question of fact. It follows that a mark with a reputation in a particular territory might have taken on the value of distinction there as a consequence of its reputation. In this instance, in my view, the trade mark right is present in the territory and can be infringed. The absence of goodwill in a particular territory does not vitiate a trade mark with a reputation which has rendered it distinctive there. The matter is

127. Wadlow *Passing Off* (2nd ed) 50. The words quoted in the text are per Oliver L.J. in *Anheuser-Busch Inc v Budejoricky Budvar N.P.* [1984] F.S.R. 413. See also p 183-184 *supra* regarding goodwill and reputation. My comments relate to the establishment of the presence of a trade mark right and not to the requirements for passing off. See further *Hyperama (Pty) Ltd v OK Bazaars (1929) Limited* (Lesotho Court of Appeal, case no. 28/88, 12 June 1990) (unreported) and the leading Australian case of *Conagra v Mc Cain Foods* (1992) 23 I.P.R. 193 (FA) where the reputation of a peregrine's mark was found to be sufficient for a passing off without the presence of goodwill. See further Wadlow *Passing Off* (2nd ed) 98-99.

one of distinction and not of goodwill.¹²⁸

The question then arises: if there is no business in the territory to what does the distinction relate? The answer is to the enterprise which is well known or famous in the territory to the degree that the trade mark is associated in the public mind with the *peregrinus* in the territory and can distinguish the enterprise or product of the *peregrinus* from the local adversary or its products. This is not to say that the enquiry is then completed if the *peregrinus* alleges a common law wrong. The evidence must satisfy all the elements of delictual liability - and damage or prejudice in particular - in order for relief to be obtained.

11. IN SUM

The substantial influence of the law of the United Kingdom and the 1938 UK Act upon the South African law of trade marks and the 1963 SA Act is well established. The underlying principles of the United Kingdom trade mark law underpinned the statutory and common law of trade marks in South Africa prior to the enactment of the Trade Marks Act No. 194 of 1993.

The South African legislature, with the benefit of hindsight and the input of the Chowles committee, was able to avoid some of the obscurities of the 1938 UK Act especially in regard to the infringement provision relating

128. Reference to the likelihood of association test in Benelux law is particularly instructive in this regard (see p 612-616 *infra*). It will be indicated that Benelux law was a significant influence in the formulation of the EC Directive regarding trade marks. The Directive, in turn, has determined the innovations of the Trade Marks Act No 194 of 1993 to a significant degree. See p 338-340 *infra* regarding the Regulation. See also Van Heerden & Neethling *Unlawful Competition* 180-183; The essence of the trade mark is its distinctiveness. It would be extraordinary not to attribute a protectable value, i.e. the value of distinction, to its essence. Not to do so would also deny protection to the essential and invariable trade mark function, the distinguishing function (see p 498-500 *infra*). In this instance it is the distinctiveness of the trade mark, from which its distinguishing value/value of distinction derives, which is protected - not the repute which evidences it.

to use of an infringing mark otherwise than a trade mark, service marks, the definition of trade marks and certain aspects of the registrability provisions and the provisions presenting bars to registration.

The territorial nature of trade marks was firmly maintained and limited conceptions of the nature of the right to a trade mark derived from common law concepts relating to passing off largely denied protection to the trade mark *peregrini*. The concept of an independent right to a trade mark in South Africa derivable from the civil law heritage of the South African legal system had not established itself by the time of the enactment of the 1993 SA Act.

In the part that follows I deal with the interposition in the United Kingdom and South Africa of European trade mark law in the form of EC trade mark law which, I subsequently suggest, has provided an opportunity for South African trade mark law to develop more flexible solutions and justifiable extended protection to trade marks derived from concepts of its own legal system, modern trade mark law in Europe, new developments in the United Kingdom and comparative references to the trade mark laws of the U.S.A..

PART 4

THE INTERPOSITION OF THE E C

*CHAPTER 12**THE EUROPEAN COMMUNITY*

Fundamental changes to the trade mark law of the United Kingdom were brought about when it fulfilled its obligations to harmonise its trade mark law with other member states of the European Community (EC) under Council Directive 89/104/EEC¹ by means of the enactment of the Trade Marks Act, 1994.²

Essentially, a reception of EC trade mark law has taken place in the United Kingdom through the medium of the Directive and a similar reception is anticipated to a degree in South Africa under the Trade Marks Act, 1993³ which followed upon the Trade Marks Bill.⁴

Generally speaking South African trade mark lawyers are not familiar with the basic concepts of the EC and its policies and legal system which provide the background to Directive 89/104/EEC.

This Part therefore deals with relevant aspects of EC law and policy in general and with the trade mark law of the EC in relation thereto in order that the reception of EC trade mark law in the United Kingdom and its immediate and prospective influence upon the law of trade marks in South Africa might be regarded in proper perspective.

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1. First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks (89/104/EEC) OJ L 40/1 of 11 February 1989 (hereafter referred to as "the Directive").
 2. The Trade Marks Act, 1994 which came into force on 31 October 1994.
 3. Trade Marks Act No 194 of 1993.
 4. Trade Marks Bill [B17B-93 (GA)].

This is essential because policy considerations particular to the EC have required the United Kingdom to harmonise its trade mark laws with other Member States of the EC so as to implement the freedoms and policies of the internal market.⁵

The legal and policy arrangements applicable to the internal market of the EC have no direct connection with the law of South Africa. Insofar as the new trade mark legislation incorporates rules of trade mark law derived from that system into the law of trade marks in South Africa, it becomes necessary to distinguish between those rules of EC trade mark law which meet the particular requirements of the internal market and serve to advance EC freedoms and policy, and those which are less particular and which are able to serve the call for modernisation and harmonisation of the trade mark laws of South Africa with other modern systems in order to give effect to the developing functions of the modern trade mark.

This chapter proceeds with a brief and general overview of the EC and those aspects of its policy which are relevant to trade mark law. In the next chapter specific attention is afforded to the particular: trade mark law under the Directive, the Regulation on the Community trade mark,⁶ the Protocol to the Madrid Arrangement and the jurisprudence of the European Court of Justice.⁷

The nature of Community law must be constantly borne in mind. It is a complex *sui generis* system law - a separate legal order - in a perpetual state of flux and

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5. See p 331-332 *infra*.
 6. Council Regulation of 20 December 1993 on the Community trade mark (EC No 40/94) OJ L11/37 of 14 January 1994 (hereafter referred to as "the Regulation").
 7. The Protocol relating to the Madrid Agreement concerning the International Registration of Marks of 28 June 1989.

development which serves the needs of a supra-national organisation of Member States advancing towards full political and economic integration in the face of numerous obstacles and national reservations.⁸

1. *HISTORICAL DEVELOPMENT OF THE EC*

1.1 *The University Speeches*

The EC is rooted in the devastation visited upon Europe during the second world war. On 19 September 1946, Winston Churchill in a speech at Zurich University called for a sovereign remedy to resolve still extant antagonisms in Europe - a remedy which would re-create the European family and build "a kind of United States of Europe". The first step would be a partnership between France and Germany.⁹ Soviet Russia was seen as a potential partner. This led to the foundation of a number of intergovernmental organisations - the Council of Europe (1949), The European Convention on Human Rights (1950), The Brussels Treaty Organisation (1948) and the Western European Union (1956).¹⁰

In a speech at Harvard University on 5 June 1947, General Marshall the U.S.A. Secretary of State proposed substantial American aid for Europe - provided European countries would join together for the purpose of preparing a co-ordinated programme for its utilisation. The offer was accepted and the intergovernmental Organisation for European Economic Co-operation (OEEC) comprising most European countries, but excluding Russia and its Eastern European satellites, was founded in 1948 to implement the Marshall plan.¹¹

8. See Hartley *Foundations EC Law* 85-86; Mathijsen *Community Law* 304-305.

9. See Gilbert *Churchill* 872-873; Mathijsen *Community Law* 6.

10. See Smit & Herzog *Law of the EEC* P 1-P 2.

11. Smit & Herzog *Law of the EEC* P 2; Mathijsen *Community Law* 6.

1.2 The ECSC

Franco-German rivalry and tension concerning coal and steel in the Saar and the Ruhr led Robert Schuman the French Foreign Minister to propose on 9 May 1950 that France and Germany place their iron and steel industries under a joint High Authority with supra-national character as the first stage of European federation. Other European nations were invited to join the arrangement.¹²

This led to the conclusion of the ECSC Treaty (the Treaty of Paris) which was signed on 18 April 1951 and which came into force during September 1952. The treaty established the European Coal and Steel Community in order to direct and control output, markets, supply and demand of coal and steel in the member states. Substantively, the treaty set up a common market in coal and steel by eliminating customs duties and other trade restriction thereon and facilitating the movement of workers in the specialised fields of coal and steel in Member States. It was provided that the ECSC was to be financed through levies on member states in coal and steel production and the institutions of this Community were vested with powers to borrow and lend monies on capital markets with a view to reconstruction and modernisation of the coal and steel industries in Member States.¹³

The Treaty created four institutions to oversee the ECSC namely the High Authority, Common Assembly, the Special Council of Ministers and the Court of Justice.¹⁴

The preamble to the Treaty of Paris made it clear that integration in the narrow but highly significant area of

12. See Mathijssen *Community Law* 6-7; Smit & Herzog *Law of the EEC* P 3.

13. See Smit & Herzog *Law of the EEC* P 4; Medhurst *Guide to EC Law* 3.

14. A fifth Institution - the Court of Auditors - was added by the Union Treaty subsequently: see p 320 *infra*.

coal and steel was chosen as a first endeavour to avoid future European conflict. The time was not opportune for more ambitious projects but the way towards a shared European destiny was left open.¹⁵

1.3 *Euratom and the EEC*

Whereas the Korean war had added momentum to the conclusion of the Treaty of Paris, the end of the war on 27 July 1953 preceded by the death of Stalin on 5 March 1953 diminished the perceived need in Europe for joint action. This, coupled with reasserted notions of national sovereignty prevented the establishment of a European Defence Community and a European Political Community at that time.¹⁶

Undaunted, the Benelux proposed a less expansive step to political and defense community to its ECSC partners during 1955. A "common market", analogous to that in coal and steel but extending to all goods was suggested. Despite that France was inclined towards integration only in certain specific sectors the Treaties of Rome were concluded on 25 March 1957 with effect from 1 January 1958. This was pursuant to the "Spaak report" following upon a meeting Foreign Ministers at Messina during June 1955 and subsequent negotiations amongst the Member States of the ECSC.¹⁷

The Treaties of Rome were modelled largely on the ECSC. It was the stated intention of Euratom to contribute to the raising of the standard of living in Member States by

15. See Smit & Herzog *Law of the EEC* P 3.

16. See Mathijssen *Community Law* 7-8 and Smit & Herzog *Law of the EEC* P 4-P 5.

17. The Euratom Treaty (Treaty establishing the European Atomic Energy Community 25 March 1957) and the EEC Treaty (Treaty establishing the European Economic Community 25 March 1957). See Smit & Herzog *Law of the EEC* P 5, Mathijssen *Community Law* 7-8 and Lasok & Bridge *Law and Institutions: EC* 14-17.

creating conditions necessary for the establishment and growth of nuclear industries. Articles 92 to 106 set up a nuclear common market.¹⁸

The EEC Treaty contemplated a market in which goods, persons and capital could move freely without government bars in the nature of customs duties and quantitative restrictions and private barriers such as restricted trade practises, intruding. It extended the common market concept to all goods and services (excluding coal and steel and nuclear products for which the ECSC and Euratom provided).¹⁹

1.4 *The EC Treaty*²⁰

The EC Treaty is drafted in simple language according to continental European practice. It comprises six Parts, sub-divided into Titles, Chapters, Sections and Articles. No elaborate definition of terms appear as in British and South African legislation and its articles, sub-sections, paragraphs and sentences are short.²¹

In the following review only those provisions of the EC Treaty which are of relevance to the substance of this work are mentioned.

The preamble to the treaty contemplates the foundation of a closer union amongst the peoples of Europe, economic progress through action to eliminate barriers

18. Mathijssen *Community Law* 8.

19. Smit & Herzog *Law of the EEC* P 7.

20. The EEC Treaty - also referred to as the Treaty of Rome (singular) - was amended in important respects by the Single European Act (see p 309-310 *infra*) and extensively remodelled by the Union Treaty (see p 312-313 *infra*) which also changed the name of the EEC to the European Community (EC). In the discussions which follow references to Parts, Titles and Articles will refer to the Treaty as amended.

21. Medhurst *Guide to EC Law* 5.

which divide Europe, the improvement of living conditions and the abolition of restrictions upon international trade.

Part I (Articles 1 - 7c) deals with general principles. Article 3 contemplates the establishment of the common market *inter alia* through the elimination between Member States of customs duties and quantitative restrictions upon the import and export of goods, a common commercial policy, an internal market characterised by abolition of obstacles thereto, freedoms of movement, a common policy on agriculture and transport and by ensuring competition is not distorted.²²

Part III (Articles 9 - 130y) deals with community policies. Title I (Articles 9 - 37) concerns free movement of goods. Article 30 prohibits quantitative restrictions. Title V deals with competition and contains Article 85 - which prohibits as incompatible with the Common Market those agreements which restrict or distort competition within the Community - and Article 86 which prohibits abuses via a dominant position in the market. Part V deals with the institutions of the Community and makes detailed provisions for the powers and constitution of the Institutions in Articles 137 - 192. Article 189 deals with the various subsidiary forms of legislation within the Community, namely, regulations, directives and decisions.²³

In sum, from the point of view of the law of the economy the Treaty establishes four freedoms of movement, namely, goods, persons, services and capital, and establishes common policies for agriculture, fisheries, transport and commerce.

22. Medhurst *Guide to EC Law* 5-7; Smit & Herzog *Law of the EEC* P 8-P 9.

23. See Medhurst *Guide to EC Law* 8-9.

1.5 Further Developments

A number of steps in the unification process have been taken subsequent to the conclusion of the Treaty. The Convention on Certain Institutions Common to the European Communities signed on 25 March 1957 merged the Assembly (now the European Parliament) the Court of Justice and the Economic and Social Committees of the various communities.²⁴

A Treaty establishing a Single Council and a Single Commission of the European Communities (also known as the Merger Treaty) was signed on 8 April 1965 and came into force on 1 September 1967.²⁵ The Customs Union which completely abolished tariff and quota restrictions between Member States and replaced national external tariffs with a common external tariff became fully operative by 1 July 1968.²⁶

On 1 January 1971 the Community's Own Resources replaced financial contributions from Member States. This rendered the community financially independent to a large degree.²⁷

The Member States in Council on 20 September 1976 agreed upon conditions for direct elections. An act giving effect thereto which was subsequently ratified by all Member States was signed and the first Community elections giving the European Community democratic legitimacy followed during June 1979.²⁸

On 19 June 1983 ten Heads of State and Government of

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- 24. See Medhurst *Guide to EC Law* 8-9.
 - 25. See Medhurst *Guide to EC Law* 8-9; Mathijsen *Community Law* 8.
 - 26. Mathijsen *Community Law* 9; Smit & Herzog *Law of the EEC* P11P 11.
 - 27. Mathijsen *Community Law* 9; Smit & Herzog *Law of the EEC* P 12.
 - 28. Act concerning the Election of the Representatives of the Assembly by Direct Universal Suffrage OJ 1976 L 278/1. See Mathijsen *Community Law* 11.

Member States signed the Solemn Declaration on European Union expressing a determination to achieve European Union.²⁹ Then, during June 1985, the Commission published a Paper entitled "Completion of the Internal Market" proposing that this should be achieved by 1992. The document set a programme and time-table for the abolition of barriers of all kinds in inter-state trade, harmonisation of rules, approximation of tax structures, the strengthening of monetary co-operation between Member States and the removal of physical, fiscal and technical barriers between them. This led to signature of the treaty known as the Single European Act.³⁰

1.6 *The Single European Act*³¹

This treaty was signed at Luxembourg on 17 February 1986 and at The Hague on 28 February 1986 and came into force on 1 July 1987.

The underlying philosophy of the Treaty is to be found in the first paragraph of its preamble, namely to initiate a change in the relations between Member States towards a European Union. The prime object of the Treaty was to provide an accelerated programme to render the internal market contemplated by Article 7a (previously 8a) of the EC Treaty an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured.

The Treaty made extensive amendments to the basic community legislation including provisions affording the

29. Mathijssen *Community Law* 12.

30. See Mathijssen *Community Law* 12-13.

31. See Medhurst *Guide to EC Law* 10-11; Smit & Herzog *Law of the EEC* P 26-P 27; Mathijssen *Community Law* 13.

European Parliament greater influence over the Community legislative process, albeit by a complicated means, and the creation of a Court of First Instance attached to the European Court of Justice to deal with competition and staff cases particularly.

Article 2 created the European Council - bringing together the Heads of Government of Member States at least twice a year - formalising the regular meetings of this kind which were already taking place.

1.7 *The United Kingdom and the EC*³²

At the time of the conclusion of the Treaties of Rome notions that the Communities would pose a threat to Parliamentary sovereignty and trade commitments to the Commonwealth prevented the United Kingdom from participating therein.

The United Kingdom eventually acceded to the EC under the first accession treaty signed on 22 January 1972. This treaty was ratified by the United Kingdom on 18 October 1972.³³

The United Kingdom joined the EC under the European Communities Act, 1972 on 1 January 1973. Under section

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32. See Smit & Herzog *Laws of the EEC* P 6, P 12, P 29; Mathijssen *Community Law* 10-12. The first Member States of the EC were France, Germany, Netherlands, Belgium, Luxembourg and Italy. The following countries were known as the outer seven: United Kingdom, Switzerland, Austria, Portugal, Denmark, Norway and Sweden. The United Kingdom, Denmark, Ireland, Norway, Greece, Spain and Portugal have since acceded to the EC Treaty. Sweden, Finland and Austria acceded to the EU during 1995 whilst the accession of Norway is pending and Turkey has applied to join.
33. The Treaty concerning the Accession of the Kingdom of Denmark, Ireland, the Kingdom of Norway and the United Kingdom of Great Britain and Northern Ireland. Norway did not ratify the Treaty.

2(1) of this Act the system of law arising out of the Community treaties was introduced to the United Kingdom. The subsection provides:

All such rights, powers, liabilities, obligations and restrictions from time to time created or arising by or under the Treaties, and all such remedies and procedures from time to time provided for by or under the Treaties, as in accordance with the Treaties are without further enactment to be given legal effect or used in the United Kingdom shall be recognised and available in law, and be enforced, allowed and followed accordingly; and the expression "enforceable Community right" and similar expressions shall be read as referring to one to which this subsection applies.

Under section 2(2) of the Act, Ministers or Departments are enabled to make regulations for the purpose of implementing any Community obligation. Subordinate legislation made under section 2(2) to implement Community obligations can be used to repeal or amend any provisions of an Act of Parliament which are incompatible with Community law, subject however to specific limitations on this power defined in Schedule 2 to the Act.³⁴ Implementation of Community law by means of subordinate legislation under section 2(2) must be done either by Order in Council or by Regulation made by a Minister or department designated for this purpose by Order in Council. In both cases the measure must be in the form of a Statutory instrument and must be approved by Parliament.³⁵

1.8 The EUROPEAN MONETARY UNION (EMU)

34. See Lasok & Bridge *Law and Institutions: EC* 416.

35. Hartley *Foundations EC Law* 240.

Pursuant to a European Council³⁶ held at Hannover on 28 and 29 June 1988, a Committee was appointed (the Delors Committee) to make proposals for closer economic and monetary co-operation within the EC. The report of this committee proposed a system of currencies with permanent exchange rates leading ultimately to a single community currency. Again perceiving a threat to its sovereignty the United Kingdom objected to the report. Nevertheless, there is a determination to proceed to Economic and Monetary Union in the Community circles which has support in some quarters in the United Kingdom, also.³⁷

1.9 *The Union Treaty*

The Treaty on European Union³⁸ was signed at Maastricht on 7 February 1992 pursuant to a meeting of the European Council there on 9 - 11 December 1991. The Treaty came into effect on 1 November 1993 after ratification by all Member States.

From the perspective of policy the Member States resolved to establish an economic and monetary union with a single currency and a citizenship common to nationals of member countries. The European Union was established³⁹ with the objectives of promoting sustainable economic progress, protection of the rights of nationals through citizenship of the Union, development of close co-operation on justice and home

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- 36. The European Council is a meeting of the Heads of State or Government of Member States and the President of the Commission. Of uncertain constitutional status within the EC the European Council is nevertheless a key forum for major political decisions in the EC. See Weatherill & Beaumont *EC Law* 73-78.
 - 37. The Delors Report on Economic and Monetary Union. See Smit & Herzog *Law of the EEC*, P 29, P 30.2-P 30.3.
 - 38. Union Treaty (Maastricht) (1991) (OJC 224 31 August 1992 p1). Although commonly called "Maastricht" this work will refer to the Union Treaty henceforth.
 - 39. Under Title 1 Art A.

affairs and maintenance of the established law and practice of the Community - the *acquis Communautaire*.⁴⁰

Under the Treaty the twelve Member States of the Community resolved to form a European Union founded on the existing European Communities. The Treaty of Rome was amended and renamed the Treaty Establishing the European Community.⁴¹ The European Economic Community (EEC) was renamed the European Community (EC) and underpins the Union together with a common foreign and security policy based on inter-governmental co-operation⁴² and provisions on home affairs and justice⁴³ again based on inter-governmental co-operation outside the existing treaties. In the new arrangement the EC occupies a central position with the ECSC and Euratom taking up positions of lesser importance. The Union Treaty clearly contemplates implementation of the final phases of economic and the monetary union by the turn of the century according to **Smit & Herzog**.⁴⁴

The union Treaty has inserted Article 3a into the EC Treaty which requires Member States to include the irrevocable fixing of exchange rates so as to lead to the introduction of a single currency, the ECU. Article 4 of the EC Treaty is amended to elevate the Court of Auditors to the five institutions which perform the tasks of the Community under the Treaties.⁴⁵

1.10 *Subsidiarity*

The United Kingdom had insisted that the word "federal"

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- 40. Title I Art B.
 - 41. See under Title II. Title III amends the ECSC Treaty and Title IV the Euratom Treaty.
 - 42. Title V.
 - 43. Title VI.
 - 44. See Smit & Herzog *Law of the EEC* P 30.4 - P 30.8.
 - 45. Medhurst *Guide to EC Law* 5. See also p 11-14 for the author's succinct discussion of the Union Treaty which has afforded the writer substantial assistance.

present in early drafts of the Treaty be excluded from the Union Treaty and sought to emphasise the principle of subsidiarity as the key to the future development of the Community as it apparently evolves teleologically towards complete political and economic union.⁴⁶

Title II Article 3b of the Union Treaty introduces the concept "subsidiarity" formally to a Community treaty for the first time. The concept is not defined with any clarity in the Treaty or in the jurisprudence of the Court of Justice and is a political rather than a legal notion - as such hardly justiciable according to **Weatherill & Beaumont**.⁴⁷ It is directed at reserving for the Member States that which is more efficiently dealt with at national level and confining Community involvement to those instances where community action would be more efficient. Ultimately it is a determining principle as to whether a matter is one of national or of community competence.⁴⁸ The second paragraph of Article 3b of the EC Treaty inserted by the Union Treaty introduces the subsidiarity principle as follows:

In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and insofar as the objective of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the community.

Pursuant to this article the Commission will review pending Community legislation with a view to applicability of the principle of subsidiarity thereto. The most significant factor flowing from the formal introduction of the principle to the Treaties is expected to be the impact thereof on Community

46. See Weatherill & Beaumont *EC Law* 23,28.

47. See Weatherill & Beaumont *EC Law* 423, 541, 571.

48. See Weatherill & Beaumont *EC Law* 457, 468, 536.

institutions having to consider the principle systematically before embarking upon new legislation which will always be subject to interpretation and review in the light of the principle by the Court of Justice.⁴⁹

2. *INSTITUTIONS OF THE COMMUNITIES*

We have observed that under the Merger Treaty⁵⁰ the Institutions of the Communities were merged whilst the Court of Auditors was added to the Institutions of the EC under the Union Treaty.⁵¹ Thus the Institutions of the EC are presently the European Parliament, the Council, the Commission, the Court of Justice and the Court of Auditors. Each is considered briefly hereunder.

2.1 *European Parliament*⁵²

Previously known as the European Assembly and renamed the European Parliament under the Single European Act the procedures involving the European Parliament in the Community legislative process are complex. Essentially it receives proposed legislation from the Commission which it considers and furnishes an opinion upon to the Commission.

A co-operation procedure was introduced by the single European Act to the EC Treaty which is now set out in Article 189c of the EC Treaty after its amendment by the Union Treaty. In terms of this procedure the European Parliament can amend, reject or oppose a common position adopted in the Council. The Council can, however, ignore the position taken by the European Parliament if it decides to do so unanimously.

49. See Weatherill & Beaumont *EC Law* 79 - 782.

50. See p 308 *supra*.

51. See p 312 *supra*.

52. See Medhurst *Guide to EC Law* 17-18; see also Mathijssen *Community Law* 16-34; Lasok & Bridge *Law and Institutions: EC* 247-266; Hartley *Foundations EC Law* 23-36.

Under the co-decision procedure introduced by the Union Treaty to Article 189b of the EC Treaty the President of the Council and the President of the European Parliament must convene a conciliation committee in those instances where the Council and the European parliament cannot resolve their differences. If a compromise cannot be arrived at by this means the European Parliament can ultimately reject the proposed legislation.

Under the assent procedure important decisions relating to international agreements which set up institutions, which have substantial financial implications, which require amendment of acts adopted under co-decision, legislation concerning the uniform electoral system, citizenship, the role of the Central Bank and structural funds cannot be made without the assent of the European Parliament.

The European Parliament can presently claim at best the *de facto* role of a co-legislature. As **Lasok & Bridge** point out the political will is still clearly lacking to transform the European Parliament into a full parliamentary legislature although far-reaching proposals have been made which would, if implemented, ultimately lead to the taking of this step.⁵³

2.2 *The Council*⁵⁴

This institution is a Council of Ministers of the Member States. The Ministers participating in any particular Council meeting are determined according to the nature of the business to be conducted. Thus, if agriculture

53. See Lasok & Bridge *Law and Institutions: EC* 266.

54. See Medhurst *Guide to EC Law* 18-19; see also Mathijssen *Community Law* 34-52; Lasok & Bridge *Foundations and Institutions: EC* 227 - 246; Hartley *Foundations of EC Law* 13-20. The Council of the European Communities is not to be confused with the European Council. See Lasok & Bridge *Law and Institutions: EC* 242-246; Hartley *Foundations of EC Law* 20.

is to be discussed it will be the Ministers charged with agriculture in the Member States who will meet.

The Council is the closest Institution approximating to a legislative body in the traditional sense in the Community. It makes laws and seals laws proposed by the Commission. Where the Treaty concerned requires it the Council must consult the European Parliament and in some instances also the Economic and Social Committee⁵⁵.

The votes of Member States are weighted and most decisions of the Council are therefore taken by qualified majority.

2.3 *The Commission*⁵⁶

In the words of **Medhurst**:

*The duties and powers of the Commission are set out in article 155 of the EC Treaty, namely: To ensure that the provisions of the Treaty and measures taken by the institutions are applied; to formulate recommendations or deliver opinions on matters dealt with in the Treaty; to have its own power of decision and participate in the shaping of measures taken by the Council and the European Parliament and to exercise the powers conferred on it by the Council for the implementation of the rules laid down by the Council*⁵⁷.

In the legislative procedure the Commission functions in a number of ways. It proposes legislation which is then passed on to the European Parliament for an opinion which it then considers and passes on to the Council. It also proposes policy and legislation which it passes on

55. See p 308 *supra*.

56. See Medhurst *Guide to EC Law* 19-21; See also Mathijssen *Community Law* 52-68; Lasok & Bridge *Law and Institutions: E.C.* 213-226. Hartley *Foundations EC Law* 8-13.

57. Medhurst *Guide to EC Law* 20.

to the Council for discussion and implementation and carries out decisions taken by Council.

Through the jurisprudence of the Court of Justice the Commission has acquired legislative power. It can - like the Council - make regulations and directives⁵⁸ subject however to the qualification that its power is executive and its legislation must therefore implement and not go beyond the basic regulation to which it is giving effect.

The Commission has quasi-judicial powers for it can respond to complaints by taking interim measures - which have the effect of an injunction - although it will not so act unless a Community principle is at stake. It also has the power to impose fines in limited instances.⁵⁹

The Commission is manned by Community civil servants who are independent of the Member States and who must act in the general interest of the Community and not in the national interest of any particular Member State.

2.4 *Coreper and the Economic and Social Committee*

Coreper (the Committee of Permanent Representatives) is a subordinate organ of the Council comprising Permanent Representatives - civil servants from Member States with the rank of Ambassador - who assist the functions of the Council on an ongoing basis.⁶⁰

The Economic and Social Committee plays a consultative role under the EC Treaty in community decision making. It is consulted in various instances by the Council, the European Parliament and by the Commission. The members

58. See p 321-323 *infra* regarding regulations and directives.

59. See Medhurst *Guide to E C Law* 20-21.

60. See Mathijssen *Community Law* 39-41.

of the Committee represent various economic and social groupings within the Community.⁶¹

2.5 *The Court of Justice*⁶²

The Court of Justice is a creature of the Community Treaties and derives its jurisdiction solely and exclusively therefrom. This includes actions against Member States where a member state has failed to fulfil a Treaty obligation, actions for the annulment of acts done by community institutions, actions in instances of a failure to act on the part of the European Parliament, the Council or the Commission when the terms of a Treaty require action, the award of compensation for damages in non-contractual disputes involving Community Institutions, staff cases, appeals against penalties, arbitrations and interim measures and referrals from the Courts of Member States for rulings under article 177 of the EC Treaty upon matters of Community law.

The Court comprises thirteen judges unanimously elected by the Governments of the Member States. The judges appoint a President of the Court from amongst their number.

Two officers of the Court - the Advocate General and *Juge Rapporteur* - fulfil important functions which have no counterpart in British or South African courts. The Advocate General acts independently and impartially in the delivery of an opinion to the Court once it has been addressed by the parties and an adjournment for the consideration thereof has been taken. The opinion serves to assist the Court in determining the matter and is authoritative in the event of the Court agreeing with the opinion.

61. See Mathijsen *Community Law* 100-101. The role of the Committee is purely advisory. See Weatherill & Beaumont *E.C. Law* 129-130.

62. See Medhurst *Guide to EC Law* 43-55; See also Mathijsen *Community Law* 68-98; Lasok & Bridge *Law and Institutions: EC* 281-322; Hartley *Foundations EC Law* 49-82.

The *Juge Rapporteur* studies the papers filed by the parties and prepares firstly a preliminary and then a full report which serve to prepare the Court concerning the facts and submissions of the parties prior to the hearing.

In order to alleviate the burdens of the Court of Justice relating to staff and competition cases a new Court of First Instance came into being during September 1989. At first it dealt only with cases of the foregoing kind but its jurisdiction was extended in August 1993 to all actions brought by private litigants under the EC Treaty. Appeals from the Court of First Instance lie to the Court of Justice on points of law only and the Council has the authority to extend the jurisdiction of the Court of First Instance should the Court of Justice request this under article 168a of the Treaty.⁶³

2.6 *The Court of Auditors*

The Court of Auditors examines and regulates the accounts of the Community and ensures that they are legally kept.⁶⁴

3. *COMMUNITY LEGISLATION AND DIRECT EFFECT*

Community legislation comprises the Community Treaties and Community Acts in the nature of regulations, directives and decisions.

Of importance is whether Community legislation is directly applicable or has direct effect.

According to **Mathijsen** a measure is "directly applicable" in a Member State when it does not require a national measure to render it binding upon Community Institutions, Member States, and legal and natural

63. See Medhurst *Guide to EC Law* 43.

64. See Medhurst *Guide to EC Law* 17.

persons. National authorities and national legal or administrative measures taken before or after the directly applicable Community Act cannot prevent its application and in this instance the Community law takes precedence over national law. Direct applicability and "direct effect" must not be confused. The latter is a Community measure which creates rights for those who are subject to Community law and refers to those cases where a Community rule imposes an obligation upon a Member State, Institution or a natural or legal person. He states:

*The beneficiaries of those obligations can invoke them in the national courts and tribunals and the latter are under Treaty obligation to uphold them. This applies even where these obligations conflict with national measures whether anterior or posterior.*⁶⁵

Whether or not a measure has direct effect turns upon whether or not it confers individual rights. To give direct effect a measure must be justiciable in the sense of being amenable to enforcement by a Court, it must impose a clear, precise and unconditional obligation and must not leave a substantial discretion to the Member State. The measure must be complete in itself in that its application by national courts does not require the adoption of a subsequent measure of implementation either by the Member State or the Community. Whether the measure is contained in a treaty, regulation or directive the foregoing test for direct applicability - which is derived from the jurisprudence of the Court of Justice - applies.⁶⁶

Regulations, which are issued by the Council and the Commission, have general application and are binding in

65. See Mathijssen *Community Law* 113. But see Hartley *Foundations EC Law* 195-196 and Parry & Dinnage *EEC Law* 93-94 who see little purpose in maintaining a distinction between "direct applicability" and "direct effect". I shall maintain Mathijssen's distinction.

66. See Medhurst *Guide to EC Law* 27.

their entirety - they are directly applicable in all Member States. Whether or not a regulation is of direct effect must be ascertained through the interpretation of the legislation.⁶⁷

Directives of the Council or of the Commission are directed at Member States and not individuals. Although directives are not usually of direct effect they are under the jurisprudence of the Court of Justice binding in favour of citizens upon Member States. In other words directives can have direct effect between an individual and the Member State. Directives with direct effect operate vertically - between citizen and Member State - and not horizontally between private individuals. This principle of vertical effect is however liberally interpreted in favour of individuals by the Court of Justice. In determining whether a Directive has direct effect regard must be had to the general scheme and wording of the Directive, which must impose a clear, complete and precise obligation on the Member State. It must not impose any conditions other than those precisely defined therein and the Member State must not obtain any margin of discretion in the performance of its obligations thereunder.⁶⁸

Directives are addressed to Member States and bind the Member State addressed therein regarding the results to be achieved. It is however left to the national authorities of the Member State concerned to choose the form and method of implementation of a Directive.⁶⁹ **Mathijsen** sums up thus:⁷⁰

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- 67. Medhurst *Guide to EC Law* 22, 25.
 - 68. See Medhurst *Guide to EC Law* 22, 25.
 - 69. See Medhurst *Guide to EC Law* 8, 22.
 - 70. Mathijsen *Community Law* 114.

Directives can be issued by the Council and by the Commission. They constitute the appropriate measure when existing national legislation must be modified or national provisions must be enacted. The Member States are free to decide, e.g. whether these measures will be legislative or administrative in nature.

Although directives are not directly applicable, since they normally require implementing measures, their provisions can nevertheless have direct effect. This must be ascertained on a case by case basis, taking into account their nature, background and wording. According to the Court those provisions are capable of producing direct effect in the legal relationship between the addressee of the act, i.e. the Member State and third party. This is what is referred to as "vertical direct effect of a directive" as opposed to "horizontal direct effect". The latter would occur if two third parties could claim rights, under a directive, in their bilateral relationship. This effect was rejected by the Court. In other cases, however, where a question concerning the interpretation of a directive was raised in a case between a natural and a legal person, pending in a national court, the Court did not hesitate to give the requested interpretation. By doing so, the Court seems to admit that the directive could be relied upon in the relationship between two "third parties".

Decisions are issued by the Council and by the Commission. Normally of an administrative nature implementing other community rules, decisions are binding in their entirety upon those to whom they are directed. Thus, as decisions are binding in their entirety, they can have direct effect.⁷¹

Finally, cognizance needs be taken of recommendations and opinions by Community institutions. Recommendations are directed at obtaining an action or behavioural response from the addressee whilst an opinion expresses a point of view usually pursuant to a request for an opinion. Recommendation and opinions have no binding force and cannot therefore have direct effect.⁷²

71. Mathijssen Community Law 115.

72. See Mathijssen Community Law 115.

4. COMMUNITY LAW

4.1 *Nature of Community Law*

Although the Communities were set up by international agreements the Treaties have not merely set up mutual treaty obligations amongst Member States by international agreement. The Treaties have transferred sovereign rights of Member States to the Institutions of the Community over which the Member States have no direct control and which have been vested with powers beyond those of the Member States themselves. The treaties have involved not only the Member States but also their citizens who have obtained citizenship also of the Community. The treaties have created an own legal system which is neither international law nor national law but supra-national law. Community law cannot as a general rule yield to varying domestic laws within Member States without jeopardising attainment of the objectives of the treaties. Community law therefore prevails over national law.

Community law is different to and independent of national law yet it is common to all Member States. Community law therefore comprises a *sui generis* supra-national legal system.⁷³

4.2 *Sources of Community law*

The sources of EC law applied by the Court of Justice and national Courts are:

- 4.2.1 the European treaties setting up the ECSC, Euratom and the EC, successive texts implementing and amending the basic texts, Protocols, Conventions on the Institutions common to the Communities, decisions creating the Community's own resources, budgetary and financial

73. See Mathijssen *Community Law* 1-2; See also Lasok & Bridge *Law and Institutions: EC* 82-111.

treaties and decisions, amending treaties, accession treaties, the Single European Act and the Union Treaty;⁷⁴

- 4.2.2 community legislation made thereunder;
- 4.2.3 the jurisprudence of the Court of Justice including the principle of direct effect;
- 4.2.4 the fundamental principles of Community Law expressed in the EC Treaty including the four freedoms and policies;
- 4.2.5 general principles of law derived from the Treaties and under the *acquis Communautaire* and general principles common to the laws of Member States including the concepts of fundamental human rights, legal certainty, retroactivity and vested rights, protection of legitimate expectations, equality, proportionality, natural justice and legal professional privilege.⁷⁵

4.3 *Interpretation of Community Law*

Community law proceeds from the general to the particular and community legislation follows this approach.⁷⁶ The preamble of Community legislation will refer to the article of the Treaty under which the act resorts and will set out the policy or the intention of the measure from which it is derived. Hence the preamble will refer to and give reference to outside sources which explain the legislation and which can be consulted in its interpretation such as the deliberations and opinions of Community Institutions or

74. See Mathijsen *Community Law* 2.

75. See Hartley *Foundations EC Law* 129-151; Medhurst *Guide to EC Law* 38-40.

76. See Medhurst *Guide to Community Law* 34-35.

the Economic and Social Committee. The Treaty from which the act derives is therefore a guide to the purpose of the measure and assistance in its interpretation is to be gleaned from the paragraphs of the preamble. When the wording of the measure conflicts with that of the preamble it is the preamble which prevails.⁷⁷

The approach is therefore purposive: the broad purpose or object of the measure is considered. The plain meaning of the words of the Act will be taken into account but if they conflict with the general scheme and context of the legislation it is the general which will prevail over the particularity of the words. The British and South African approach to the interpretation of enactments which seeks to determine the intention of the legislator through an inquiry confined to a consideration of the meaning of the wording of the enactment is not attributed the same primary significance by Community law in the interpretation of Community legislation.⁷⁸

Furthermore Community law does not feature the doctrine of *stare decisis*. Community lawyers seek to discern the development of a clear line of authority or principle but accept that no previous rule is immutable. Also, it is to be borne in mind that not only decisions of the Court of Justice are significant for regard must also be had to the decisions of the Commission in competition cases which appear in the Official Journal of the Community.⁷⁹

5. THE EUROPEAN UNION

It is clear that the EU is neither a federation nor a confederation of states but a supra - national

77. See Medhurst *Guide to Community Law* 35-36.

78. See Medhurst *Guide to Community Law* 36.

79. See Medhurst *Guide to Community Law* 40-41.

organisation of states with its own legal system proceeding towards political and economic union. As **Lasok & Bridge** put it:

*It is common ground that if, and when, a sufficient degree of integration and unity has been achieved, national sovereignty will lose much of its emotional glamour and practical importance. At that stage a new constitution of the Community will emerge either through the process of adaptation or a solemn proclamation. Only time will tell whether the Community shall continue as an organisation of states albeit a close one, or graduate into a federal structure. Political developments, both internal and external, will, no doubt, influence the process.*⁸⁰

Political developments in the Community during the recent past have brought about changes in nomenclature which require clarification. It has been seen that the Union Treaty set up a European Union (EU) founded upon the three previously legally distinct but now politically and constitutionally unified communities, the EEC, ECSC and Euratom, supplemented by the Common Foreign and Security Policy and Co-operation on Justice and Home Affairs. Prior to the Union Treaty the EC indicated the EEC, ECSC and Euratom as a whole. Under the Union Treaty the EEC was renamed the EC and in this work EC is so used.

Under the European Economic Area (EEA) Treaty which came into force on 1 January 1994 the *acquis communautaire* was extended to the EFTA countries (excluding Switzerland and Liechtenstein) with specific adaptations, transitional provisions and derogations. In time the EEA is expected to be an integrated market of European countries - initially comprising the Member States of the EC with Norway and Iceland.

It is hoped that complexities in the nomenclature of the Union, Communities, the Association and the attendant

80. Lasok & Bridge *Law and Institutions: EC 27*.

tapestry of interwoven law will be resolved in the future. In this work EU indicates the political, constitutional and territorial union of the Member States of the Communities - to the degree that the Union Treaty has effected this. The EC indicates the European Economic Community as renamed by the Union Treaty and EC law the corpus of law attributable to that community - which includes the competition and trade mark law of the EC. There is no competition or trade mark law of the EU. Community law, which includes EC law, means the whole of the law attributable to the communities. This is the body of law which has been extended to the EEA - and excludes the corpus of EU law which is largely constitutional law at present.⁸¹

IN SUM

The advent of the European Communities and the introduction and development of the common market has, in my view, been the most significant event in the external history of trade mark law since the Industrial Revolution. This is particularly so for the law of trade marks in the United Kingdom and South Africa - albeit for different reasons.

As will be discussed more fully in the next chapter, the United Kingdom has been obliged to harmonize its trade mark laws with the European Directive regarding trade marks. The Directive is, however, but one of the pillars of the European trade marks system of which the United Kingdom is a part. It is the primary instrument reflecting upon the internal rules of the law of trade marks in Member States. Of fundamental importance also are the Regulation regarding community trade marks and the Madrid system and Protocol thereto. The latter

81. See European Communities Trade Mark Association (ECTA) Newsletter No 25 May 1994 53 - 56 for a helpful discussion of terminology issues after the Union Treaty. See also Linklaters & Paines - Internal Market Reporter - February 1994, in this regard.

institutions reflect upon both the national and trans-national rules of trade mark law in the United Kingdom. There has been an interposition of the European system and a reception of the law of the EC concerning trade marks in the United Kingdom.

As will be discussed in Chapter 17, the 1993 SA Act has been significantly influenced by the Directive. At one time it was suggested that South Africa too should harmonize its trade mark laws with those of Europe. This chapter is intended to provide the proper context against which the changes in the laws of the United Kingdom and South Africa under the 1994 and 1993 Acts, respectively, must be seen.

In the case of the United Kingdom a supra-national legal system is involved and the policies of the European Union - especially the free movement of goods and competition policies of the EC - are determinant. In the case of South Africa the changes are a response to the need to modify the internal rules of trade mark law - a different matter entirely.

The historical fact of the break with the past occasioned by the interposition of EC trade mark law in the United Kingdom affords the opportunity of developing the South African system as independent and not appurtenant to that of the United Kingdom or the EC as a whole. Solutions can be provided by the resilient and elastic South African legal system with reference to helpful sound learning elsewhere.

Bearing the foregoing in mind it becomes clear that EC legislation in its various forms and the jurisprudence emanating from the Court of Justice and the courts of the United Kingdom in trade mark matters henceforth, must be treated with circumspection by South African jurists seeking guidance therein in the application and interpretation of South African trade mark law both old and new.

The following chapter proceeds to the specific and considers the internal history EC trade mark law relevant to the enquiry at which this work is directed.

CHAPTER 13

EC TRADE MARK LAW

1. THE UNDERLYING POLICY

It was observed in the preceding chapter that the first Treaty of Rome, which founded the European Economic Community (the EEC now renamed the EC), contemplated a single integrated European market amongst Member States.

This common market was to be facilitated amongst other means by a system of fair and undistorted competition within the market whatever the respective economic strengths of the Member States might be.¹

Pursuant to the perception that it would be a logical further step for there to be a unitary trade marks system for the Community the Preliminary Draft Convention for a European Trade Mark came into being during 1964. The Convention aimed at introducing European trade mark rights as a means by which restrictions on the free movement of goods resulting from the territorial nature of trade mark rights could be avoided and a uniform standard for the protection of trade marks throughout the Common Market achieved.²

Although Articles 9-37 of the Treaty contain detailed provisions for the dismantling of economic barriers between Member States from the point of view of the free movement of goods³ differences between the trade mark

1. See Larkin 82 TMR 634-650 (1992) 634.

2. See Domanski XXV CILSA 1-19 (1992) 14.

3. See Lasok and Bridge *Introduction to the Law and Institutions of the European Communities* 2nd ed. 288 - 289.

systems of the national states can, despite these provisions, produce barriers to inter-state trade within the market.⁴ The Community, in seeking to recognise the existence of individual trade mark rights in Member States with varying national systems alongside the need for a unified trade mark system required by a single market, built tension into the system *a priori*.⁵

According to **Larkin** the European Court of Justice has approached the matter of national rights as against the goal of market integration heavily in favour of the latter - essentially on the basis of distinguishing between the existence of national rights (which the court recognises) and their exercise (which the court seeks to curtail).⁶ The Court has however held that Member States may set up barriers to imports under national laws - provided they are not used to restrain competition and free movement of goods amongst Member States contrary to the provisions and outside of the exceptions of the EC Treaty.⁷

Imports from non-Member States are not affected at all.⁸

2. HISTORY OF THE REGULATION AND DIRECTIVE

The first initiative to harmonise and unify Community intellectual property law was taken during 1959 when the commission urged the Ministers of the then Member States to set up a working group on the harmonisation and unification of intellectual property law within the community.

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4. Larkin 636; See also Reform of Trade Marks Law CM 1203 (September 1990) 4 (hereafter the White Paper); Groves (and others) *IP and the Internal Market* 1, 4.
 5. Larkin 635.
 6. See Larkin 636 - 637. But see the recent decisions of the ECJ discussed below.
 7. See Larkin 640 - 644. The jurisprudence of the ECJ in relation to trade marks is discussed at paragraph 7 p 359-380 *infra*.
 8. See Larkin 644 - 645.

The working group subsequently completed a preliminary draft convention for a European trade mark system. It proposed that Member States would have the right to maintain their national trade mark legislation for the time being alongside a single community trade mark which would however supersede national rights eventually.

The draft enjoyed a limited circulation at first and it was not until 1973 that it obtained a wide circulation through publication in full.

Further discussions followed publication, resulting in the issue during 1976 of a Memorandum on the Creation of a European Community Mark. The essence of the Memorandum was that a European trade mark system could have advantages for it would establish a free market for trade-marked goods and services and also ensure fair competition in regard thereto as required by the EC Treaty. A community system of trade mark law, it was said, would lead to the approximation of the legal conditions affecting competition between the manufacturers of goods bearing Community trade marks. The protection afforded a Community trade mark would be the same throughout the Community and would not vary from one Member State to another. This would contribute substantially to the establishment of a system of undistorted competition within the Common Market which the Treaty required. Nevertheless, the Memorandum implicitly recognised the need to maintain national trade mark rights and for the first time proposed the simultaneous introduction of a unitary Community trade mark. This was to be introduced by way of a Regulation which would be coupled with a Directive to harmonise national laws in order that they might resemble each other closely.⁹

9. See Molijn 9 *ECTA* [1993] 15 - 24 15 and Tatham 9 *ECTA* [1993] 107 - 116 108 regarding the foregoing.

The first draft of the Directive was roundly condemned when first circulated to interested parties. Nevertheless, a first draft Regulation and a further draft of the Directive were published with an explanatory Memorandum in Supplement during 1980. The Economic and Social Committee gave its opinion on the draft during 1981 and the European Parliament suggested changes during 1983. A further revised Directive was submitted to the Council of Ministers during 1985 and after several Member States had submitted remarks regarding the proposal, a new text of the Directive was published during 1986. A working group was then appointed to revise the new text of the Directive as well as the revised Regulation which in 1984 had followed publication of draft implementing regulations during 1981. This working group published a final text of the Directive during 1987 which was approved the following year by the Economic and Social Committee.¹⁰

After the opinion of the European Parliament had been obtained during 1988, as well, the First Directive of Harmonisation of Trade Marks with an implementation date of 31 December 1991 was adopted by the Council on 21 December 1988. This implementation date was subsequently extended to 31 December 1992. On 4 March 1991 the latest version of the proposed Regulation with 55 footnotes containing reservations by one or more Member States about specific Articles was published.¹¹

3. *THE DRAFT REGULATION*

It was intended that the Draft Regulation, when adopted, would establish a new property right - the Community trade mark (CTM) - having a unitary effect throughout the Common Market. A CTM was to be obtained through

10. Gielen [1992] 14 EIPR 262 - 269 262; Molijn 15; Tatham 108; Larkin 634.

11. See Gielen 262; Tatham 108.

registration in the Community trade marks Office (CTMO) which would be set up under the Regulation. When adopted the Regulation would have direct application in Member States.¹²

The right obtained through registration of a trade mark under the Community trade marks system was to provide the registrant with the right to exclusive use of the mark throughout the Common Market. National trade mark systems would exist side by side with the community system. Prior registration in any Member State was to present a bar to CTMO registration.¹³

Although the European Community achieved a Single Market from 1 January 1993 onwards the Regulation had still not been implemented by that time.¹⁴

Delays in the implementation of the Regulation emanated at first from disputes concerning the site of the CTMO and which official languages were to be used by the Office. In addition thereto four categories of obstacles

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12. Both the Council and the Commission can make Regulations in order to carry out their tasks under the Community Treaties. They must rest upon Treaty authority and indicate their purpose, the reasons which justify them and the outlines of the system they propose. They are binding in their entirety and are directly applicable in Member States ie they have the force of law in Member States without the need for municipal legislation or other national action to give them the force of law or to give individuals rights thereunder which are enforceable before municipal courts: See Walker *Oxford Companion* 361, 1053.
 13. See White Paper 4; Rothstein & Rosenblatt 24 *The John Marshall Law Review* 145 - 208 [1990] 180.
 14. The Treaty of Rome, even after the Maastricht, sees the reason for the European Community as providing free movement of goods, capital, persons and services: Tatham 114. According to a report submitted by the EC Commission at the Edinburgh summit of Community Heads on 11-12 December 1992, the EC Council of Ministers had by June 1993 succeeded in adopting 95% of the 285 Single Market laws deemed essential to ensure the free flow of goods, capital and services across the borders of member states: See [1993] 198 *ITMA* 1.

were apparent: political problems, institutional questions, technical matters and financial claims.

Amongst the political problems the major question turned upon differences between Member States as to the legal basis for the establishment of the CTMO. The choices were introduction of the CTMO by means of a Regulation based upon Article 235 of the EC Treaty, alternatively, by means of an inter-governmental conference concluding a Convention.

Institutional questions included the matter of a budget for the CTMO, the legal remedies against decisions of the CTMO concerning the jurisdiction of the Court of Justice to review decisions of the proposed Boards of Appeal of the CTMO and the kind of legal remedies which should be available against decisions of the Boards of Appeal.

Technical problems concerned searching and the protection of earlier rights, licensees' powers of appeal, protection of collective marks and the position of geographical indications serving as Collective Trade Marks.¹⁵ Further technical problems surrounded the appointment of officers (the President and Vice-President) of the CTMO and the appointment of the Chairmen and Members of the Boards of Appeal.

Then, financial questions intruded in that some Member States required financial compensation for the expected fall-off in revenue from national applications which it was argued would result from preferred registration of a Community trade mark at the CTMO.¹⁶

15. Collective trade marks are not considered in this work.

16. See Maia regarding the problem areas: the Chairman's Address at the Eleventh Annual Conference of the European Trade Mark Association (ECTA), Lisbon, May 27 to 30, 1992 reprinted in 9 *ECTA* (1993) 12 - 14, and Tatham 109 - 116.

The series of problems led to concern in a number of quarters that developments regarding the Regulation had lost momentum to a degree that implementation might not take place and the Regulation might become obsolete. As Larkin put it:

*The premise of the Treaty of Rome was to create a single integrated market among the member nations of the European Community. The territorial nature of Trademark laws existing in the individual nations stands as a barrier to such a fully integrated market. The case law which evolved among the member states proves that such territorial laws may co-exist, in what may be a discordant harmony, within such a framework. The Commissions' plan to implement a Community Trademark is the next step to improve upon present situation under the decisions of the European Court of Justice. It is now crucial that the Commission, with proper interpretation by the Court of Justice give substance to the plan in the coming years.*¹⁷

3.1 *Implementation of the Regulation*

Despite all the reservations Regulation No. 40/94/EC of the Council of the European Union dated 20 December 1993 came into force on 14 March 1994 giving legal effect to the Community trade mark (CTM) and the CTMO.¹⁸

The Regulation introduces trade mark protection valid throughout the territory of the fifteen Member States of the EU, obtainable under a single application and registration at the CTMO to be established at Alicante, Spain. This office will be known as the Office for Harmonisation in the Internal Market. It has legal personality under Article 111 of the Regulation. At the time of writing the Office had not yet accepted applications. It was, however, to be functional by 1 January 1996.

17. Larkin 650.

18. The Regulation was published in 370J No. L11 on 14 January 1994.

3.2 The CTM System

The CTM System contemplates a single registration obtained by a single procedure in the CTMO which will be valid and enforceable in all Member States of the Community.

A CTM registration affords the proprietor¹⁹ exclusive rights in his mark which entitles him to prevent unauthorised use by third parties of an identical mark or similar mark which is likely to cause confusion or damage to the distinctive character or reputation of the registered mark.²⁰

In this regard Article 9 (1) provides:

ARTICLE 9

Rights conferred by a Community trade mark

1. A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

- (a) any sign which is identical with the Community trade mark in relation to goods or services which are identical with those for which the Community trade mark is registered;*
- (b) any sign where, because of its identity with or similarity to the Community trade mark and the identity or similarity of the goods or services covered by the Community trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;*

19. The English text of the Regulation speaks of a "proprietor" and "proprietors" of Community trade marks.

20. Art. 9.

- (c) *any sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter has a reputation in the Community and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character of the repute of the Community trade mark.*

It is apparent from Article 9 (1)(a) that an infringement is immediately established in the case of use of an identical mark in relation to goods or services covered by the CTMO registration.

In the second place an infringement under Article 9(1)(b) is established where identical or similar trade marks are used upon goods or services covered by the CTM, or are used upon similar goods or services in a way which brings about a likelihood of confusion on the part of the public - which includes the likelihood of association between the marks.

The third category of infringement provided for under Article 9(1)(c) is new to some jurisdictions (including the United Kingdom). It protects the integrity of the mark itself in its distinctive character as well as in its penumbra - the repute of the mark. Provided the CTM concerned has a reputation within the Community the third category of infringement provides a protection which is not - as with the first two categories of infringement - restricted to the goods or services in respect of which the CTM is registered or to goods or services similar thereto.

Hence **Dworkin** states of the Regulation:

The scope of protection for the Community Trade Mark will be extremely, perhaps unpredictably, wide. The traditional rights of the trade mark proprietor, designed to protect the origin function of trade

*marks, have been extended to deal with a broader range of unacceptable business uses of trade marks. Unfair competition concepts have been injected into trade marks law in a major way. Some of these provisions, adapted in many respects from Benelux trade mark law, are not familiar to trade mark practitioners and courts in all Member States. There may well be a reconsideration of the roles of, and relationship between, trade marks and unfair competition laws (including the common law action for passing off in the UK and Ireland).*²¹

The writer will propose in the final parts of this work that the so-called economic functions of trade marks can be protected under the general Aquilian action and the action based upon unlawful competition in South Africa, so affording trade marks cumulative protection with the specific trade mark infringement actions provided for by Statute.²²

The Regulation recognises the limitation upon the proprietor's rights in parallel import situations laid down in the jurisprudence of the ECJ. Under Article 13 the proprietor of a CTM may not prohibit the use of a mark in relation to goods which have been put on the market in the EU by the proprietor or with its consent, except where the proprietor has legitimate reasons to oppose further commercial exploitation of the goods - such as in instances where the condition of the goods is changed or impaired after they have been placed on the market. Application of a CTM registration to prevent parallel importation of goods emanating outside the territory of the EU is not impaired by the Regulation.

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21. Per Professor Gerald Dworkin in a paper entitled "Effects of the Community Trademark" presented at an International Seminar - Alicante: Community Trademark and Design - held at Alicante, Spain on 29 - 31 May 1994 (unpublished).
 22. This has always been the common law position. Historically the specific tort approach of the Common Law has, however, in the UK and to a large extent in South Africa, limited the relief obtainable outside of statute to passing off. See also p 555-574 *infra*.

Thus, the Regulation recognises the theory of exhaustion of rights under which the proprietor of a registered trade mark has the exclusive right to introduce a product featuring the trade mark to the market. However, once the product has been introduced to the market by the proprietor or with his assent, the proprietor cannot prevent third parties from using the mark.²³ The Regulation takes further cognizance of the jurisprudence of the Court of Justice insofar as the proprietor is able to prohibit use of the mark by third parties after its initial commercialisation where the state of the product has been changed or altered in a way prejudicial to the legitimate rights of the trade mark proprietor.²⁴

3.3 *The Provisions of the Regulation*

3.3.1 *Signs of which a Community trade mark may consist*

A CTM may comprise any sign capable of being represented graphically, particularly words, personal names, designs, letters, numerals and the shape of goods or their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.²⁵

Thus any sign which has a distinctive character will in principle be capable of registration as a CTM.

3.3.2 *Persons who can be proprietors of Community trade marks*

Under Article 5:

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- 23. See Batalla Volume XXIX No 4 *les Nouvelles* [1994] 207 - 211 208 and paragraph 7 p 359 *infra*.
 - 24. See Hoffman - La Roche v Centrafarm (Case 102/77) [1978] ECR 1139 and Centrafarm v American Home Products Corporation (Case 3/78) [1978] ECR 1823; Batalla 208 - 209.
 - 25. Art. 4.

- 3.3.2.1 nationals of EU Member States or of other states that are parties to the Paris Convention;
- 3.3.2.2 or those who are domiciled or have their seat or have an industrial or commercial establishment in the territory of a state of the foregoing kind;
- 3.3.2.3 or citizens of non-Paris Convention states in which citizens of EU Member States are afforded the same treatment as nationals in regard to trade marks and which recognise registration of Community trade marks as proof of registration in the country of origin of a EU national,

are entitled to make application for and obtain registration of a CTM.

3.3.3 *Assignment of Community trade marks*

A CTM may be assigned separately from the undertaking with which it has been associated for all or some of the goods and/or services in respect of which it is registered. Where the assignment is not pursuant to a judgment it must be in writing and signed by both the assignor and the assignee. An assignee must record the assignment in the CTMO if he is to be entitled to enforce the rights afforded a CTM under the Regulation. The CTMO can refuse to register assignments which will be likely to mislead the public concerning the nature, quality or geographical origin of the goods or services in respect of which it is registered.²⁶

3.3.4 *Licensing*

Licensing is permitted and may be recorded under Article

26. See Art. 17.

22 of the Regulation. Licenses must however conform to Community Policy.²⁷

3.3.5 *Applications*

Applications are filed in one of the languages of the CTMO - English, French, German, Italian or Spanish. Where the application is not filed in one of the official languages the CTMO will translate the application into an official language chosen by the applicant. At the time of filing the applicant must choose a second language for possible use subsequently in opposition, revocation or invalidation proceedings.²⁸

Applications are examined as to the absolute grounds for refusal set out in Article 7 of the Regulation.²⁹ The CTMO will conduct a search of prior marks or applications which may furnish relative grounds for refusal, and will transmit the results of the search to the applicant along with the result of any searches conducted nationally.³⁰ Once accepted the application is published for opposition which must be introduced within three months. The application culminates in grant or refusal.³¹

Under Article 108 of the Regulation, the applicant or proprietor of a Community trade mark may request conversion thereof into a national mark or application if the CTMO application is refused, withdrawn, deemed to be withdrawn or if the Community mark ceases to have effect. If a national application or mark results it enjoys the date of priority or seniority of the Community application or mark.

27. See Batalla 209 - 210.

28. See Art. 115.

29. Art. 38. The absolute grounds for refusal are almost identical to the absolute grounds for refusal in the Directive (see p 594 *infra*).

30. Art. 39.

31. See Arts. 41 - 45.

3.3.6 *Duration of protection and renewal*

A CTM registration endures for ten years and it will be renewable for further ten year periods *ad infinitum*.³²

3.3.7 *Revocation*

A CTM registration will be susceptible to revocation if the proprietor has not put the mark to genuine use in the EU within five years of registration or has suspended use for an interrupted five year period unless the non-use can be justified.³³

3.3.8 *Appeals from CTMO decisions*

Decisions from CTMO examiners or its Opposition Divisions, Administration of Trade Marks and Legal Divisions or Cancellation Divisions may be made the subject of an appeal to the CTMO Board of Appeal. Appeals must be filed within two months of the decision appealed against. Board of Appeal decisions are reviewable by the ECJ.³⁴

3.3.9 *Community Trade Mark Courts*

Within three years of the entry into force of the Regulation on 14 March 1994, each Member State of the EU is required to designate as limited a number as possible of national Community Trade Mark Courts of first and second instance which are to have exclusive jurisdiction over actions involving infringement and validity disputes involving a CTM. In the normal course actions of this kind are to be brought in the courts of the state where the defendant is domiciled or

32. Arts. 46 - 47.

33. Art. 50.

34. See Arts. 57 - 63, 130.

has a business establishment or where the infringing act occurs or is threatened.³⁵

It will be noted immediately that the Regulation will be applied by the CTMO in the application phase and by national Community Trade Mark Courts where invalidation and infringements are in issue. Different approaches and conflicting decisions are to be anticipated and, unfortunately, it is only in the long term that uniform interpretation thereof is to be anticipated under the jurisprudence of the ECJ after it has considered disputes under the Regulation. In this regard it is not to be overlooked that the ECJ will apply the provisions of the Regulation as a means of implementing Community Policy.

3.4 *The Community trade mark as property*

Article 16 of the Regulation deals with Community trade marks as objects of property. Article 16 provides:

ARTICLE 16

Dealing with Community trade marks as national trade marks

1. Unless Articles 17 to 24 provide otherwise, a Community trade mark as an object of property shall be dealt with in its entirety, and for the whole area of the Community, as a national trade mark registered in the Member State in which, according to the Register of Community trade marks,

(a) the proprietor has his seat or his domicile on the relevant date; or

(b) where subparagraph (a) does not apply, the proprietor has an establishment on the relevant date.

35. See Arts. 91, 92, 93 and 143.

2. *In cases which are not provided for by paragraph 1, the Member State referred to in that paragraph shall be the Member State in which the seat of the Office is situated.*

3. *If two or more persons are mentioned in the Register of Community trade marks as joint proprietors, paragraph 1 shall apply to the joint proprietor first mentioned; failing this, it shall apply to the subsequent joint proprietors in the order in which they are mentioned. Where paragraph 1 does not apply to any of the joint proprietors, paragraph 2 shall apply.*

Thus although a CTM derives its protection from the EU legislation which regards it as an object of property - the trade mark law which governs the CTM as property is the law of the Member State designated according to the formula provided in the Article. In regard to the United Kingdom this Article seems to cause some difficulty in that prior to the 1994 Act trade marks were not regarded as discrete property in that legal system but as appurtenant to goodwill in the business in the goods and/or services in respect of which the mark was used. Insofar, however, as registered trade marks are seen property in certain circumstances they were regarded as either choses in action in the nature of pure intangibles or as a *sui generis species* of property.³⁶

Of particular interest in the context of the enquiry of this work is Article 19 which provides:

ARTICLE 19

Rights in rem

36. See p 219-221 *supra*. See p 607-608 *infra* regarding the position under the 1994 Act.

1. A Community trade mark may, independently of the undertaking, be given as security or be the subject of rights *in rem*.

2. On request of one of the parties, rights mentioned in paragraph 1 shall be entered in the Register and published.

It is to be noted that both the Regulation and the Directive were greatly influenced by Benelux law. **Tatham** states of the Regulation:

*The Regulation is a little masterpiece. It has been admired in many quarters for its consummate blending of Civil Law and Common Law concepts of Trade Mark rights.*³⁷

Insofar as it is hoped that the Directive would harmonise national law also with the Regulation it would be interesting from a South African perspective if the application of the Directive and Regulation *in tandem* leads to the dominance of civil law over Common Law concepts in the trade mark law throughout the EC: so in the end through its influence leading also the South African law in regard to trade marks towards a civil law orientation after its past sojourn for the most part under the auspices of the common law and statutes of the United Kingdom.

4. **THE DIRECTIVE**³⁸

4.1 **General Import**

The Directive is a first directive: strictly speaking this means it is not necessarily final and further directives could follow.³⁹ It is to be noted that the Directive is independent of the Regulation.⁴⁰ The Directive has been finalised and adopted.⁴¹

37. Tatham 111.

38. Council Directive 89/104 EEC [1989] O.J. L40/1.

39. Molijn 21.

40. Larkin 180.

41. See p 334 *supra*.

As the diverse trade mark laws of Member States feature disparities which may impede the free movement of goods and provision of services and so distort competition within the Community, it is necessary, according to the Directive, to approximate national laws for the establishment and function of the Common Market.⁴²

The Directive is not however aimed at the complete approximation of the trade mark laws of Member States. Rather, it is limited to harmonisation of those provisions of national law which most directly affect the functioning of the internal market.⁴³

The Directive applies to all national, Benelux or Madrid Agreement registrations or applications whether the marks relate to goods or services.⁴⁴

Under the Directive the conditions for obtaining and holding a registered trade mark must, in general, be identical in all Member States if the objectives of the Directive are to be attained.⁴⁵ It is regarded fundamental for free circulation of goods and services to obtain that registered trade marks enjoy the same basic protection under the legal systems of Member States.⁴⁶ The Directive is intended to be entirely consistent with the provisions of the Paris Convention⁴⁷ but does not affect the obligations of Member States thereunder.⁴⁸

42. See Recital I of the Directive.

43. See Recital 3 of the Directive; Molijn 16; Gielen 262 - 263.

44. Article 7; See Armitage and Davis *Directive Regulation and UK Law* 5; The Directive will have the effect of harmonising national law and the Regulation.

45. See Recital 7 of the Directive.

46. See Recital 9 of the Directive.

47. For a concise note regarding the Paris Convention including a brief discussion of South African law in relation thereto under the Trade Marks Act No. 62 of 1963, see Domanski 3 - 10, See also Rutherford (1992) 4 SA Merc L J 278 - 291 283 - 285.

48. See Recital 12 of the Directive.

4.2 *Structure of the Directive*

The Directive proceeds from the premise that national trade mark laws will continue to exist. It aims at harmonising these laws and thus obliges Member States to bring their national laws into line with the Directive.⁴⁹

The Directive contains seventeen articles of which fifteen deal with substantive matter. Taking the sub-paragraphs and sub-divisions of the substantive paragraphs into consideration the Directive has a total of sixty-nine provisions.

Certain of the provisions are peremptory (introduced by the imperative "shall") whilst others are optional (introduced by the permissive "may"). Thus, the Directive sets a minimum peremptory standard with which all Member States must comply. Compliance with such standards only is termed the "minimalist" approach. On the other hand, compliance with all the provisions of the Directive both peremptory and optional, is termed the "maximalist" approach.⁵⁰ Member States can, therefore, adopt one of three approaches to the Directive: the maximalist approach, the minimalist approach, or something in between which represents compliance with all of the peremptory provisions together with some of the optional provisions.

It is to be noted that the points covered by the Directive are exhaustive (whether contained in the mandatory or optional provisions). In other words, the Directive leaves no room for state manoeuvre. National law must adhere to the requirements of the Directive but go no further by way of qualification thereof unless this is specifically permitted.⁵¹

49. Gielen 263.

50. Molijn 17; Gielen 264.

51. Armitage and Davis *Directive Regulation and UK Law* 5.

In general terms the Directive covers primarily the following substantive subjects -

- 4.2.1 its scope (art. 1);
- 4.2.2 a definition of the sign of which a trade mark may consist (art. 2);
- 4.2.3 grounds for refusal of invalidity (arts. 3 and 4);
- 4.2.4 rights conferred by a trade mark, infringement, limitations on and exhaustion of trade mark rights (arts. 5, 6, 7 and 9);
- 4.2.5 licensing (art.8);
- 4.2.6 use and sanctions for non-use (arts. 10 and 11);
- 4.2.7 matters relating to revocation, refusal and invalidity (arts. 12, 13 and 14);
- 4.2.8 matters relating to collective, guarantee and certification marks (art. 15).⁵²

The Directive, on the other hand, does not cover the following issues:

- 4.2.9 matters relating to the protection by Member States of trade mark rights acquired through use - relations between such marks and registered marks aside;
- 4.2.10 questions of procedure concerning the registration, nullity and invalidity of trade marks;
- 4.2.11 laws, other than trade mark laws, applicable to trade marks such as laws relating to unfair competition, consumer protection and delict;

52. See Gielen 263 - 164.

- 4.2.12 rules relating to the transfer or assignment of trade marks, and licensing formalities;
- 4.2.13 grounds for invalidation based on matters not covered by the Directive such as procedural or fee violations;
- 4.2.14 procedural rules relating to the assessment of the likelihood of confusion between marks;
- 4.2.15 additional grounds for nullification of the registration of collective, guarantee or certification marks to those provided for in the Directive where the function which marks of the foregoing kind fulfil require such grounds.⁵³

It is to be emphasised that insofar as the Directive sets out the grounds upon which registration may be refused or invalidated Member States may not introduce grounds for refusing or invalidating registrations which are not provided for in the Directive. Similarly, the Directive defines the right afforded by registration of trade marks and Member States may not confer registered trade mark rights which go beyond the provisions of the Directive. Essentially, the Directive concentrates on substantive law and not upon procedural law - which is left to Member States.⁵⁴

4.3 *Implementation of the Directive*

Article 17 provides that the Directive is addressed to the Member States whilst Article 16 calls upon them to comply with the Directive not later than 28 December 1991. Article 16(2) empowers the Council to defer the date of implementation to not later than 31 December 1992.

53. See CM 1203 5.

54. Tatham 110; Latham and Clark - Jervoise 198 ITMA [1993] 1-3 1.

There have been varied and mixed efforts by Member States to implement the Directive despite that January 1993 saw the advent of a Single Community Market.⁵⁵

It appears from a report submitted by the EC Commission to the Edinburgh summit during 1992 that the EC Council of Ministers had succeeded in adopting ninety-five per cent of the two hundred and eighty five Single Market laws deemed essential to ensure the free flow of goods, capital and services across the EC's internal borders.⁵⁶

Nevertheless, on 1 January 1993 only the trade mark laws of Denmark, France, Italy and Greece could be said to have been in substantial compliance with the Directive. The United Kingdom, of course, complied therewith during 1994.⁵⁷

4.4 *Non-Compliance with the Directive*

It must be noted for the sake of completeness that the following options arise regarding possible action which can be taken where a Member State has not complied with the Directive timeously:⁵⁸

4.4.1 *At Community Level*

4.4.1.1 The deadline could be extended by means of the Council adopting a further Directive.

4.4.1.2 The Commission could bring an enforcement action before the European Court against a defaulting State at the instance of the Commission or at the request of a Member State or private individual.

55. See 198 ITMA [1993] 1.

56. See 198 ITMA [1993] 1 - 3.

57. The Trade Marks Act, 1994 came into force in the United Kingdom on 1 October 1994.

58. See Molijn 23; Latham and Clark - Jervoise 3. See also cases C-6 and 9/90 Francovich v Italy [1991] 1 ECR 5357; [1993] 2 CMLR 66 (ECJ) regarding state liability in damage to an individual for failing to implement a Directive.

4.4.2 *At National Level*

- 4.4.2.1 An individual could seek to invoke the provisions of the Directive against a Member State - which is according to an established doctrine of Community law whereby an individual who has been deprived of legal rights due to a Member States' failure to implement a Directive can rely upon and apply the Directive against the Member State concerned.

4.5 *The Provisions of the Directive*

Although this chapter is hardly complete without a discussion of the substantive provisions of the Directive it appears expedient to place that discussion in a later chapter which deals also with the provisions of the Trade Marks Act, 1994 and the new South African Act.

This approach will prevent repetition and curtail length whilst considering the provisions of the Directive in the context in which it is most relevant to this work: the degree to which the new South African statute has maintained common ground with the trade mark law of the United Kingdom and whether, in so doing or otherwise, has adopted fundamental principles of EC trade mark law.⁵⁹

5. *THE MADRID AGREEMENT*

The considerations which led to the conclusion of the Madrid Agreement Concerning the International Registration Marks (MTA) is aptly stated thus by **Kunze**:

It is generally recognised that trade marks have become a key factor in international trade and that many manufacturers and traders need international protection for their trade marks and service marks in

59. See chapter 17 *infra*.

*countries all over the world. However, as a rule, the only means of achieving such protection is to apply for registration of the trade mark in all countries of commercial interest. As is well known, the procedures for registration differ widely from country to country, different languages must be used and there are different ways of protection resulting from registration.*⁶⁰

An additional consideration is the high cost of obtaining registration of a trade mark separately in a number of jurisdictions.

National trade mark rights are territorial in effect. With the growth of international trade during the 19th century a need was perceived for co-operation concerning trade mark law at an international level. The approach was adopted to create a body of international trade mark law which would grant to trade mark proprietors uniform rights when they traded in different countries. The Convention of Paris for the Protection of Industrial Property which was signed on 20 March 1883 represents a significant attempt to create such a body of trade mark law. The Convention came into effect on 7 March 1884. Signed by one hundred countries it has since undergone a revision on six occasions whilst a seventh revision commenced in Geneva during 1980 was never finalised.⁶¹

The MTA is a special arrangement under and flows from the Paris Convention. Membership is restricted to member states of the Paris Convention and current members are bound either by the text of the agreement revised at Nice during 1957 (when the International Classification of Goods and Services came into being) or at Stockholm during 1967. Like the Paris Convention, the MTA is administered by the World Intellectual

60. Kunze [1994] 6 EIPR223 - 226 223 (hereafter Kunze (EIPR)).

61. See Domanski 3 - 10.

Property Organisation (WIPO), an agency of the United Nations based in Geneva.⁶²

The MTA extends the general principles of the Paris Convention by enabling trade marks to be protected through the intermediacy of a Central Registration Bureau in Geneva.

Essentially, under the MTA the proprietor of a registered mark in a contracting country can obtain registration of the trade mark in all other member countries for a period of twenty years by filing a single application for registration of the mark. The application in French, is filed at the Central Registration Bureau and designates the member countries of the MTA in which registration is sought.

Upon registration the mark is protected only in such countries as have been designated and the registration is renewable for further twenty year periods *ad infinitum* in such of the designated countries as the registrant chooses.

Registrations in the International Register are notified to the registries of the designated member countries where they are subject to the national trade mark laws of such countries both before registration and thereafter. Upon registration they are deemed to have been registered under the national laws of each state concerned.

Prior to registration the registry of a designated member state receives the application from the Bureau to consider in terms of its national laws. The designated state then has a period of twelve months in which to reject the application - failing which the mark is deemed to be registered there.⁶³

62. See Groves (and others), *IP and the Internal Market* 47, 48 - 49.

63. See Groves (and others) *IP and the Internal Market* 47 - 49; Kunze 223.

Before an application for registration of a mark can be registered internationally, it must have been registered nationally by the national office of the applicant's country of origin. In terms of the MTA the country of origin of the mark is that member country where the applicant has a real and effective industrial or commercial establishment, failing which, that member country in which the applicant has its domicile or headquarters, and failing either, the member country where the applicant is a national.⁶⁴

It is important to note that the fate of the international trade mark is dependent on the basic national trade mark registration in the country of origin for a period of five years from the date of the international registration. Thus, where the home registration falls away or is in any way limited during the period aforesaid, the MTA registration will then also fall away or be limited accordingly, as the case may be. Thus, a successful "central attack" upon the basic national trade mark during the prescribed time period will vitiate the international registration and all MTA registrations based on it.⁶⁵

Regarding the merits of the MTA **Kunze** has the following to say:

In summary, the MTA is very popular amongst trademark owners in the contracting states, and it is widely used

- because it is extremely cost-effective and*
- because it cuts down considerably on the administrative paperwork in the contracting states of the agreement by offering protection in up to 29 countries by a single registration without any special formalities,*

64. See Kunze 82 TMR 58 - 88 (1992) 59 (Hereafter Kunze (TMR)).

65. See Kunze (TMR) 61 - 62.

*such as notarial attestation and legalisation; it makes it possible to record name changes and assignment in some or all of the countries to which protection is extended by one single administrative act; and it makes it possible to renew the trademark in all countries to which the protection extend simply by paying the renewal fees without further formality.*⁶⁶

Nevertheless, **Kunze** is compelled to concede that despite all the advantages it provides the MTA has not enjoyed the widespread accession of states and its membership has remained relatively low. Important trade mark countries such as the USA and Japan - and in Europe, the United Kingdom, Ireland and the Northern European countries - are not parties to the agreement and are unlikely to take on membership because of perceived shortcomings in the MTA system.⁶⁷

6. THE MADRID PROTOCOL

6.1 Underlying reasons for the Protocol

The Madrid Protocol came about primarily at the instance of WIPO and was directed at overcoming the stumbling blocks which had led to non-accession of important trading states to the MTA and to link the Madrid system to the CTM system. Non-acceding states based their objections primarily upon the need for a basic registration as an *a priori* requirement for international registration and the concept of central attack. It was hoped that participation in the Madrid systems by the USA and Japan might be effected by means of the Madrid Protocol which, it was hoped, would also lead to the inclusion of the four member states of the EU who were not parties to the MTA - the United Kingdom, Ireland, Denmark and Greece.⁶⁸

66. Kunze (TMR) 62 - 63.

67. Kunze (EIPR) 223.

68. See Kunze (EIPR) 223; Kunze (TMR) 63 - 64; Kunze, *Managing Intellectual Property*, March 1994 50. (Hereafter this article will be referred to as Kunze MIP); Groves and others *IP and the Internal Market* 51.

Various revisions of the Madrid system under the MTA suggested by WIPO from time to time culminated in the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (the Madrid Protocol) which was adopted by 27 countries (including the United Kingdom) at a Diplomatic conference during June 1989 at Madrid.⁶⁹

The USA withdrew from participation on 9 May 1994 after an initial show of great interest. This disappointed supporters of the Madrid Protocol greatly.⁷⁰

Membership of the Madrid Protocol is open to contracting parties to the Paris Convention and - with the specific intention of enabling EU membership of the Protocol - also to organisations of which at least one Member State is a contracting party to the Paris Convention and which has a regional office for registering trade marks with effect in the territory of the organisation.⁷¹

*By allowing the EU to become party to the Protocol, the future link with the CTM system has been provided for. The Protocol is expected to enter into force in 1995, and quickly to enjoy a large membership far beyond the present membership of the Agreement since it provides for the necessary changes of those provisions of the Agreement which were obstacles to accession for so many countries.*⁷²

6.2 *Links between the MTA and the Protocol*

The systems contemplated by the MTA on the one hand and the Madrid Protocol on the other are interlinked through both administrative as well as substantive provisions in

69. See Groves and others *IP and the Internal Market* 51. See Kunze (TMR) 64 - 66 for a full discussion of the background to the Protocol.

70. See Kunze MIP 51 - 53 regarding early USA participation.

71. Art. 14. See Kunze (EIPR) 223; Kunze MIP 50.

72. Per Kunze (EIPR) 223.

the Protocol.⁷³ Common regulations serve both treaties and International registration can be obtained under both treaties by means of a single application which will operate as follows with reference to the MTA system.

The Protocol does not apply between states which are also contracting parties to the MTA. In these instances only the MTA applies to those states. Hence, an international application from a member state of both the MTA system and the Protocol which designates member countries of both treaties in some instances and member countries of the Protocol only in other instances, will be governed exclusively by the MTA in the first category and exclusively by the Protocol in the second.⁷⁴

Hence the Madrid Protocol is a self-contained treaty and member countries of the Protocol alone can for all purposes rely exclusively upon the text of the Protocol.⁷⁵

7. *TRADE MARK LAW AND THE ECJ*⁷⁶

It must be observed at the outset that the focus of the European Court of Justice regarding trade mark law has been to resolve conflicts and tensions between the provisions of national laws and the commercial policy of the EC. Thus far the Court has not directed its attention to the specific rules of national trade mark law which has been a matter for the national courts.⁷⁷

73. See Arts. 1, 9 sexies, 10 of the Protocol and Kunze MIP 50.

74. Kunze (EIPR) 223; Kunze MIP 50; See Kunze (TMR) 79 - 87 for a full discussion of the relationship between the systems.

75. Kunze (EIPR) 223; Kunze MIP 50.

76. The writer has derived much assistance in preparing a discussion of trade marks and the ECJ from a paper delivered by David T. Keeling entitled "Trade Marks and the European Court of Justice" at the Thirteenth Annual Conference of ECTA held at Luxembourg from 25 to 28 May 1994 (Keeling 11 ECTA (1994) 41 - 54).

77. Keeling 54.

It has already been noted however that under the CTM system the ECJ will be called upon to rule upon the substantive provisions of the Regulation which is itself intended to harmonise with the harmonised laws of the National States under the Directive. This will, it is anticipated, give rise to a body of jurisprudence emanating from the ECJ concerning the substantive provisions of the Directive and Regulation which, with the passage of time, will affect the interpretation of the specific provisions of the harmonised trade mark laws of national states.⁷⁸

At present national trade mark laws impact upon EC Policy in two areas, namely in regard to the principle of the free movement of goods (Articles 30 - 36 of the EC Treaty) and competition policy (Articles 85 - 86 of the EC Treaty).

7.1 *Trade Marks and Free Movement of Goods*

Articles 30 - 36 of the EC Treaty are directed at securing the free movement of goods throughout the Community. The concept underpinning these provisions is that goods placed in the market in one Member State must not be prevented from circulating freely in the territory also of other Member States.⁷⁹

National trade mark rights are territorial in effect. A trade mark registration in a particular Member State affords exclusive protection against the use of the same or similar trade mark upon related goods or services to those for which the mark is registered in the territory of the state of registration. Hence the application of national trade mark laws can prevent the free movement of goods and services in the Community insofar as goods

78. See p 575-576 *supra*.

79. See Arts. 30 - 36 of the EC Treaty.

or services emanating from a Member State featuring an identical or confusingly similar trade mark to a registered trade mark in another Member State may be excluded by the national laws of that state from entry to or participation in the market there.

Article 36 of the Treaty recognises a number of exceptions to the basic principle of free movement which includes restrictions justified on the grounds of industrial and commercial property - including trade marks - provided such restrictions are not a means of arbitrary discrimination in trade or a disguised restriction upon trade between Member States.⁸⁰

7.2 *Competition Policy*

Articles 85 and 86 of the EC Treaty contain the basic provisions of Community competition law. Article 85 prohibits agreements affecting trade between Member States which have as their object or effect the prevention, restriction or distortion of competition within the common market. Article 86 prohibits undertakings which occupy a dominant position in the EC or in a substantial part of it from abusing that position.⁸¹

The application of trade mark rights through use, licensing, assignment or other agreements relating to trade marks can offend Community competition policy where such applications bring about a restrictive practice or the abuse of a dominant position.

7.3 *Leading Cases*

This paragraph deals with the leading cases in which the ECJ has applied and developed Community law at the interface between the application of national trade mark law and Community policy.

80. See Art. 36.

81. See Arts. 85 - 86.

7.3.1 *Consten and Grundig v Commission*⁸²

Grundig had granted Consten the sole right to sell goods emanating from Grundig featuring the trade mark GINT in France. Grundig sought to secure exclusivity for Consten in the French market by allowing Consten to register the trade mark GINT in respect of the goods in France in order that Consten might exclude goods featuring the mark emanating from another Member State from the French market by relying upon its registered trade mark rights in respect of GINT there.

The ECJ took the view that this arrangement offended Article 85 of the Treaty as it restricted trade. The court distinguished between the existence of national trade mark rights and their exercise and found that the main purpose of the agreement was to partition the market by means of the improper exercise of such rights. That the exercise of the rights concerned were struck by Article 85 of the Treaty did not however affect the existence of those rights.

*The existence/exercise distinction has often been criticised by practitioners because of its artificiality. The right to exercise a monopoly (existence) is pointless unless it is in fact exercised. Anyway, where is the line to be drawn between existence and exercise of the right? A right consists of nothing more than the ability to exercise it.*⁸³

Despite criticism of the foregoing kind the existence/exercise principle is established in the jurisprudence of the Court.⁸⁴

The **Consten** case also established the exhaustion principle in the jurisprudence of the ECJ which it

82. Consten SARL and Grundig - Verkaufs - GmbH ECC v Commission (Cases 56 and 58/64) [1966] ECR 299.

83. See Groves (and others) *IP and the Internal Market* 6 - 7.

84. See Deutsche Grammophon GmbH v Metro SB Grossmärkt GmbH and 6 KG (Case 78/70) ECR487.

derived from German jurisprudence. According to this principle, whenever goods featuring a trade mark are placed on the market in the territory of a Member State by the proprietor or with the consent of the proprietor of the trade mark he cannot thereafter rely on the trade mark to prevent resale of such goods in the territory of another Member State.

Keeling sums up the implications of the exhaustion principle thus:

The principle of exhaustion has important implications for manufacturers who wish to establish exclusive distribution networks by granting exclusive trade mark licences to their distributors in the various Member States or by assigning their trade marks to distributors. If we apply the principles established by the Court of Justice in the Nungesser judgement, it seems that the licensor and the licensees may lawfully agree not to pursue an active sales policy in each other's territory. That degree of territorial protection appears to be acceptable. But what they cannot do, and must not attempt to do, is to exclude parallel imports. Such an attempt would be contrary to Article 30 and would not - because of the principle of exhaustion - be saved by Article 36. Moreover, an agreement whereby the licensor and licensee undertook to impede parallel imports would be void under Article 85 (2) and would have no hope of exemption under Article 85 (3).⁸⁵

7.3.2 *Sirena v Eda*⁸⁶

An American company registered its trade mark in Italy and assigned it to Sirena during 1937. Sirena used the trade mark in Italy in connection with shaving cream for many years. The American company also licensed the mark to Eda, a German company, for use in Germany. Eda began exporting shaving cream under the trade mark to Italy

85. Keeling 47. The judgement referred to is in *Nungesser (LC) KG and Kurt Eisele v EC Commission* (Case 258/78) [1972] ECR 1025.

86. *Sirena Srl v Eda Srl and ors.* (Case 40/70) [1971] ECR 69.

during 1960. Sirena commenced infringement proceedings in that territory. The matter was referred to the ECJ which had to decide whether - assuming national law recognised the right of a trade mark owner to impede imports from other Member States - this right was affected by EC Community law.

The court answered the question in the affirmative as follows:

In the sphere of provisions relating to the free movement of products, prohibitions and restrictions on imports justified on the grounds of protection of industrial and commercial property are allowed by Article 36, subject to the express condition that they "shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States". Article 36, although it appears in the Chapter of the Treaty dealing with quantitative restrictions on trade between Member States, is based on a principle equally applicable to the question of competition, in the sense that even if the rights recognised by the legislation of a Member State on the subject of industrial and commercial property are not affected, so far as their existence is concerned, by Articles 85 and 86 of the Treaty, their exercise may still fall under the prohibitions imposed by those provisions.

*The exercise of a trade mark right is particularly apt to lead to a partitioning of markets, and thus to impair the free movement of goods between states which is essential to the Common Market. Moreover, a trade-mark right is distinguishable in this context from other rights of industrial and commercial property, in as much as the interests protected by the latter are usually more important, and merit a higher degree of protection, than the interests protected by an ordinary trade-mark.*⁸⁷

The Court proceeded to find that Article 85 of the Treaty prevented Sirena from relying on its national

trade mark rights in Italy to exclude Eda from the market in that territory despite that the relevant agreements were concluded prior to the advent of the Treaty. Article 86 would not however strike the exercise of national trade mark rights unless they afforded the proprietor the power to impede the maintenance of effective competition over a considerable part of the relevant market.

Keeling makes the following apt remarks regarding the decision in the **Sirena** case:

I make no secret of the fact that I think that Sirena v Eda was wrongly decided. Sirena purchased an Italian trade mark in 1937 by a contract valid at that time under Italian law, the only law against which its validity could have been tested. It had undisturbed use of the trade mark for 20 years and doubtless invested considerable resources in building up the reputation of its product. Then along came the Treaty of Rome in 1957 and 14 years later a judgement of the European Court saying, in effect, that the assignment was contrary to Article 85 of the Treaty and that Sirena was compelled to share the trade mark in Italy with any other firm that had acquired the right to use it, by virtue of an assignment or a license, in any other Member State. But a trade mark that must be shared, within the same territory, rapidly becomes worthless. Thus, with one stroke of the judicial pen, Sirena's goodwill was wiped out.⁸⁸

The principle concerning the retroactive effect of Article 85 was subsequently modified by the Court when it required concerted practice between the persons involved for Article 85 to be so applied.⁸⁹

7.3.3 HAG I⁹⁰

The trade mark HAG was registered by its German owners in respect of coffee in Germany during 1907 and in

88. Keeling 43-44.

89. See EMI Records Ltd v CBS United Kingdom Ltd (Case 51/75) [1976] ECR 811.

90. Van Zuylen Frères v Hag AG (Case 192/73) [1974] ECR 731.

Belgium and Luxembourg during 1908. The latter registrations were sequestered as enemy property during 1944 and sold. Van Zuylen held these rights when HAG of Germany began selling coffee under the mark HAG in Luxembourg during 1970. Van Zuylen instituted infringement proceedings.

The Court stated that the exercise of trade mark rights tended to contribute to the partitioning of markets and thereby affected the free movement of goods between Member States to a greater extent than other rights of industrial and commercial property because trade mark rights are not subject to limitations in point of time. The Court could not allow the holder of a trade mark to rely upon the exclusiveness of his right as a means of prohibiting the marketing in a Member State of goods legally produced in another Member State under an identical trade mark having the same origin. A prohibition of this kind would legitimise the isolation of national markets and collide with the essential objects of the Treaty which was to unite national markets into a single market. The court ruled:

*To prohibit the marketing in one Member State of a product legally bearing a trade mark in another Member State for the sole reason that an identical trade mark, having the same origin, exists in the first State is incompatible with the provisions for the free movement of goods within the Common Market.*⁹¹

According to **Groves**:

*HAG I was widely criticised, not least because it sat uneasily with the concept of exhaustion of rights, which requires the owner's consent. Secondly, if both marks can move freely to the Community in such circumstances, the goodwill in each is undermined. Thirdly, the parentage of the doctrine was highly doubtful.*⁹²

91. At p 745 of the report.

92. Groves and others *IP and the Internal Market* 13.

According to **Keeling** the Court in HAG I failed to analyse the basic function of trade marks and unwittingly destroyed Van Zuylen's properly constituted intellectual property rights. The court also failed to indicate why it attached so much importance to the common origin of the trade marks.⁹³

The doctrine of common origin introduced by the ECJ in HAG I is to the effect that where similar or identical trade marks having a common origin are owned by different persons in different Member States the owner of one of the marks cannot rely on it to prevent the owner of the other from importing goods lawfully marketed thereunder from the one Member State to the other.

This would be contrary to the provisions of the EC Treaty concerning the free movement of goods.⁹⁴

The doctrine of common origin was confirmed by the ECJ in **Terrapin v Terranova**.⁹⁵ In that case the Court held that territorial trade mark rights could be applied to prevent the importation of products bearing a confusingly similar trade mark registered in another Member State in the absence of legal or economic ties between the parties and underlying agreements restricting competition, provided that the rights of the parties arose independently of each other.

7.3.4 *Deutsche Grammophon*⁹⁶

This decision introduced the key concept of "specific subject matter" to the trade mark jurisprudence of the ECJ and it has, together with the concept of the

93. Keeling 49-50.

94. See Groves and others *IP and the Internal Market* 13.

95. Terrapin (Overseas) Ltd v Terranova Industrie CA Kopfrerer & Co (Case 119/75) [1976] ECR 1039.

96. Deutsche Grammophon GmbH v Metro - SB - Grossmärkte GmbH & Co (Case 78/70) [1971] ECR 48.

essential function of a trade mark, played a central role ever since. The Court held that Article 36 of the Treaty only permitted derogations from the basic prohibition against interference with the free movement of goods contained in Article 30 to the extent to which such derogations relating to industrial and commercial property were justified for the purpose of safeguarding rights which constitute the "specific subject matter of such property". The Court did not however define the concept "specific subject matter" in relation to trade marks until **Centrafarm v Winthrop**.⁹⁷ The "specific subject matter" was there defined as the guarantee that the owner of a trade mark would have the exclusive right to use the trade mark for the purpose of putting products protected by it into circulation for the first time. It is intended to protect the trade mark holder against competitors wishing to take advantage of the status and reputation of the trade mark by selling product illegally featuring the mark.

Keeling makes the following point of note regarding specific subject matter:

It must be remembered that the Court drafts its judgements in French. The French for "specific subject matter" is objet spécifique; and there is, I think, something of a double meaning in the word objet. On the one hand, it has a purely descriptive meaning referring to the core of essential rights granted to the proprietor of a trade mark, a patent or a registered design, or to a copyright-holder and so forth. On the other hand, it has a final meaning referring to the underlying purpose of the intellectual property right in question: the objective or raison de'être of the right, the reason for granting someone an exclusive right. This second meaning is certainly present in the French word objet; it is not present in the English expression "subject matter".⁹⁸

97. Centrafarm BV v Winthrop (Case 16/74) [1974] ECR 1183.

98. Keeling 45. See p 557-574 *infra* for a discussion of the trade mark as the object of the subjective right to a trade mark.

7.3.5 *Hoffman-La Roche v Centrafarm*⁹⁹

This case introduced the concept of the "essential function" of a trade mark as a supplement to the definition of its specific subject-matter. The Court held that the essential function of a trade mark is to guarantee the identity of the origin of the trade-marked product to the consumer or ultimate user thereof by enabling him to distinguish that product from products of another origin without any possibility of confusion.

Thus the ECJ subscribes to the origin function of trade marks - regarding the trade mark as a guarantee not of quality but of origin - as well as the distinguishing function of trade marks which requires the mark to distinguish the product emanating from one source from those emanating from other sources without the possibility of confusion. This in turn implies that a trade mark must be distinctive.

Keeling observes:

*It will be immediately apparent to anyone who knows anything about trade marks that these two concepts - the specific subject-matter and the essential function of the trade mark - are really two sides of the same coin. The former contemplates the trade mark from the viewpoint of the proprietor; the latter looks at the trade mark from the consumer's viewpoint. There is of course no conflict here between the interests of the trade mark proprietor and those of the consumer; both rely on the trade mark for the purpose of avoiding confusion about the commercial origin of goods.*¹⁰⁰

99. Hoffman - La Roche & Co AG v Centrafarm VPE GmbH (Case 102/77) [1978] ECR 1139.

100. Keeling 46.

7.3.6 HAG II¹⁰¹

The successors in title to the HAG mark in the Benelux commenced sale of coffee under the mark in Germany - a reversal of the direction of export to the situation in HAG I. The matter again reached the ECJ which reversed its earlier decision in finding that where trade marks come into separate ownership because of expropriation each owner is allowed exclusive use of the trade mark in the territory in which he is registered owner.

The decision marked a change in the regard the Court afforded to trade marks.

Advocate-General Jacobs argued thus in his opinion:

*Like patents, trade marks find their justification in a harmonious dovetailing between public and private interests. Whereas patents reward the creativity of the inventor and thus stimulates scientific progress, trade marks reward the manufacturer who consistently produces high quality goods and they thus stimulate economic progress. Without trade mark protection, there would be little incentive for manufacturers to develop new products or to maintain the quality of existing ones.*¹⁰²

The Court responded positively stating:

Trade mark rights are, it should be noted, an essential element in the system of undistorted competition which the Treaty seeks to establish and maintain. Under such a system, an undertaking must be in a position to keep its customers by virtue of the quality of its products and services, something which is possible only if there are distinctive marks which enable customers to identify those products and services. For the trade mark to be able to fulfil this role, it must offer a

101. CNL - Sucal N V v Hag G F (Case C-10/89) [1990] ECR I - 3711.

102. At p 3731-3732 of the report of the case.

*guarantee that all goods bearing it have been produced under the control of a single undertaking which is accountable for their quality.*¹⁰³

The Court therefore endorses what has come to be known as the abstract origin theory of trade mark functioning in its modern guise: the trade mark guarantees that the goods or services in relation to which it is used emanate from and under the control of a single accountable source.

The Court confirmed its earlier approach that the specific subject matter of the trade mark right is to ensure that the owner of the trade mark has the right to use it first in the marketing of a product and to afford protection against competitors who wish to take advantage of the status and the reputation of the mark by illegally selling products featuring it.

This was a consequence, the court found, of the role played by a trade mark in that it must constitute a guarantee that all products featuring it have been manufactured under the control of a particular enterprise to which responsibility for quality could be attributed.

The essential function of a trade mark, it was reasserted, is to guarantee the identity of origin of the trade marked product to consumers or final users in order that they could, without confusion, distinguish such product from product having another origin. The marks of the different proprietors had, the Court found, fulfilled their essential function independently within the territorial limits of each registration.

It is to be borne in mind that the decision in **HAG II** is restricted to cases of expropriation. Thus the decision does not treat with those instances where the trade mark

103. At p 3758 of the report.

owner voluntarily disposed of his trade mark rights in one or more countries of the EC either before the entry into force of the Treaty of Rome or thereafter. **HAG II** deals with cases of expropriation where the consent of the proprietor to the disposal of trade mark rights is absent. Thus, the question as to the disposal of trade mark rights within the EC with the consent of the proprietor remained to be decided upon.¹⁰⁴

7.3.7 *Ideal Standard v IHT*¹⁰⁵

The French owners of the French trade mark registration for the trade mark IDEAL-STANDARD manufactured heating equipment in France and exported it under the trade mark to Germany. The proprietors of the German trade mark registration for the trade mark IDEAL-STANDARD who used the mark in relation to sanitary fittings sought to exclude the French product featuring the mark from Germany on the basis of the German registration of the mark. The original owner of the mark in both territories had assigned it voluntarily to different unconnected parties in France and Germany.

The German company argued that its products were sufficiently similar in type to heating equipment for confusion regarding the trade mark to arise in Germany if the French company was allowed to use the mark there as well.

The ECJ did not consider the question of confusion as this was considered a matter for national law. It did however confirm that trade mark protection could extend beyond the products for which the trade mark was registered if the infringing products were similar to a degree where consumers would conclude that they emanated from the same source.

104. See Kunze, *Trademark World*, December 1990/January 1991 21 - 22 21.

105. *IHT Internationale Heiztechnik GmbH v Ideal-Standard GmbH* ECJ 22 June 1994.

The court found it to be established law that:

7.3.7.1 A national trade mark registration in a Member State could be enforced against products imported from another Member State under the same or a confusingly similar mark if the marks had been independently acquired by the parties.¹⁰⁶

7.3.7.2 Where trade marked products were marketed in certain Member States by the same trade mark owner or with his consent the national home registration of the trade mark could not be enforced against goods imported to the Member State of the home registration from another Member State.¹⁰⁷

In the instant case there was no link of any kind between the parties and the court had to decide whether the isolation of markets permitted in HAG II where the same trade mark was owned in two Member States by different and unconnected undertakings after a division of ownership had taken place involuntarily was to be extended to the case at hand where a voluntary division of ownership had taken place. The essential question was whether the principle of the free movement of goods had to prevail over the territorial rights of the trade mark owner of the German registration, so permitting the assignee of the French registration to export goods to Germany under the identical mark.

The ECJ held that a trade mark registration in one Member State can be enforced against products imported from another Member State featuring the same trade mark even though the trade mark was originally owned by the same party in both territories and the separation resulted from voluntary assignment.¹⁰⁸

106. See in this regard per *Terrapin v Terranova* discussed at p 367 *supra*.

107. See in this regard also *Merck v Stephan* [1981] ECR 2063.

108. At p I-14 of the typed report of the case.

The Court assessed the function of national trade marks with reference to their territorial nature which in the circumstances of the case prevailed over the free movement of goods principle.¹⁰⁹

In a paper presented at the ITMA Annual Conference, 1995, **Gygell** provided an apt and concise assesment of the **Ideal Standard** case thus:

The court applied the reasoning in Hag II and confirmed that:

- a. the specific subject matter of a trade mark must be determined having regard to its function;*
- b. the essential function of a trade mark is to give consumers a guarantee of the identity of the origin of the marked product by enabling consumers to distinguish the product from others of a different provenance; and*
- c. the free movement of goods principle would undermine that essential function of a trade mark and consumers would no longer be able to identify for certain the origin of the marked goods.*

The narrow view of the judgment would be that the Ideal Standard case merely applies and extends the decision in Hag II to the situation where the trade mark in question is subdivided by virtue of a voluntary assignment as opposed to the situation in Hag II where the trade mark was subdivided by compulsory sequestration.

The decision in Hag II was, in my opinion, a landmark for trade mark owners in particular and, at least, a positive omen for intellectual property owners in general. I say this because the court in Hag II specifically recognised that trade marks "constitute an essential element of the system of undistorted competition which the Treaty aims to establish and maintain". This passage was cited with approval in the Ideal Standard case and it can now be assumed with considerable confidence that trade marks will no longer be viewed as monopolistic icons of anti-competitive behaviour.

109. At p 1-6 of the report.

*The court in Ideal-Standard, however, went further than Hag II in so far as, throughout the judgment, the court returned to and emphasised the territorial nature and independence of trade mark rights. It is trite to state that trade marks are the creature of national legislation and that the proprietor's rights extend only to the national frontiers of the country in which registration has been obtained. However, the court relied on this truism in holding that this feature of trade mark rights (which can also be applied to all intellectual property rights), all other things being equal, effectively means that the free movement of goods principle must take a back seat to the principle of undistorted competition. The court referred grandly to the "principle of territoriality" and the "principle of the independence of trade marks" emphasising (as indeed is the case) that these principles are well recognised under international Treaty law, citing Article 6 quater of the Paris Treaty and Article 9 ter(2) of the Madrid Agreement as examples.*¹¹⁰

This is not to say that assignments which partition markets in the EC cannot be challenged under Article 85 of the Treaty. Such a challenge is not however a necessary consequence of the assignment of intellectual property rights in the course of ordinary commercial transactions.¹¹¹

7.3.8 *Deutsche Renault v Audi*¹¹²

In this case it was held that national law determines the criteria upon which a risk of confusion between conflicting marks is established. As it is the national systems which provide protection for the exclusive registered trade mark right and the extent of this right is delimited by the enquiry as to its confusing

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110. At p 5-6, 7 of the unpublished paper entitled "European Court of Justice Decisions affecting Trade Marks".
111. See Linklaters and Paines Intellectual Property News Issue 22, July 1994.
112. *Deutsche Renault v Audi AG* [1993] ECR 1 - 6227; See *Würtenberger* [1994] 7 EIPR 302 - 306; See also *Worth and Warburton* [1994] 6 EIPR 247 - 249.

similarity with another mark, the law which provides the source of the right - the national legal order - must also determine its extent.

This approach - I have observed - was adopted also in the **Ideal Standard** case.

I have also noted, however, that this approach must necessarily change as soon as the ECJ is called upon to interpret the substantive provisions of the Directive and the Regulation.

7.4 *Overview of the Cases*

Built-in tension exists between national trade mark laws and those provisions of the Treaty which deal with the free movement of goods in the EC and competition law - particularly with reference to the partitioning of markets and the abuse of a dominant position.

Generally speaking, Article 36 in derogating from the fundamental principle of the free movement of goods, must be interpreted strictly. In this regard the ECJ applies the principle of proportionality thus: restrictions upon free movement of goods must be necessary to attain the aim in question. If the aim can be achieved by means less restrictive than impeding free movement the alternative means must be applied.

On the specific level in relation to intellectual property rights, Article 36 only authorises restrictions on free movement which are necessary to protect the "specific subject matter" of the intellectual property right in question.¹¹³

113. Keeling 3.

The ECJ applies the exhaustion doctrine to ameliorate tension between the free movement principle and territorial trade mark rights.¹¹⁴ Groves assesses the role of the ECJ in relation to intellectual property in the EC as follows:

In the absence of harmonised intellectual property systems in the Community, the Commission and the Court between them have done a good job of adapting the existing rules of the Treaty, of competition and on free movement, to minimise the effects on interstate trade of differences in national law. Indeed, it is sometimes argued that this process has obviated the need for harmonisation: but harmonisation provides a more complete solution.

If one were to rely solely on the case law in intellectual property, even with so many decided cases, there would be a lack of legal certainty. If another person has a registered intellectual property right valid throughout the Community, he would know what he could and could not do so much more clearly than if you had to consider the specific subject matter of that person's national rights and decide (possibly without the benefit of a decision directly on the point) whether what he were proposing to do would be actionable.

*Harmonised IP laws and Community-wide systems are the future of intellectual property law in the Community.*¹¹⁵

From the perspective of the United Kingdom:

*This is all yet to come. At the moment UK trade mark law is a mixture of international agreements, Community treaties and secondary legislation made under those treaties, together with the case law of the European Court of Justice and UK trade mark legislation, case law and patent office practice and procedure.*¹¹⁶

8. IN SUM

Part 4 of this work has considered -

114. Larkin 636 - 637.

115. Groves (and others) *IP and the Internal Market* 15.

116. Groves (and others) *IP and the Internal Market* 45.

- 8.1 The history, structure, law, institutions and the political and constitutional development of the EU;
- 8.2 The Community legislation, jurisprudence of the ECJ applicable to Community trade mark systems and the substratum of Community policies applicable to the law of trade marks in the Community;
- 8.3 The Madrid system of international registration of trade marks under the patronage of WIPO in terms of the Madrid Union and Madrid Protocol and the linking of these dual systems to each other and to the CTM.

The *excursus* in relation to the foregoing topics is a necessary part of this work because -

- 8.4 The new South African Trade Marks Act - as will be shown later - is intended to modernise South African trade mark law according to present trends in the United Kingdom and the European Community at large;
- 8.5 The new Act is also intended to maintain close links with the trade mark systems of those territories which South African trade with the United Kingdom and the EU requires.

In this regard **Rutherford** writes:

The member countries of the EC are the most important trading partners of the Southern African region, and the Republic of South Africa in particular. If foreign trade and investment are to be encouraged, it is essential that any uniform law should follow the European Directive on Trade Marks as far as possible. Harmonisation with Community law, in accordance with the European Directive, will enable European traders to obtain protection for their trade marks within the Southern African region more easily. Furthermore, they will be familiar with the basic principles of the trade-mark system and can readily be reassured of the effect of

The progressive path of an international approach towards trade mark law in South Africa will obtain an additional impetus from the participation of the RSA in the TRIPS agreement of GATT. All of this will in turn require an international perspective on the part of South African trade mark lawyers regarding trade marks in general and the nature of trade mark rights in particular.

On the other hand Part 4 of this work is also intended to provide a caveat: It is clear that the trade mark law of the EC and the new trade mark laws of the United Kingdom are part of the larger tapestry of EU policy and its single market. It has been shown that the Regulation and Directive are directed at affirming Community policy. The new United Kingdom Trade Marks Act, 1994, is based squarely upon the Directive, and the White Paper from which the British Act is derived has exercised a great influence upon the new South African Act.

Now it is so that the substantive rules of the Regulation and Directive embody modern approaches (not present in the old British and South African systems) which can be followed to advantage in the context of the requirements of modern commerce. Nevertheless, in dealing with the rules of the Community and new United Kingdom systems their underlying ratio - the single market - must not be overlooked.

Furthermore, the concepts of "specific subject matter" and "essential function of trade marks" which underpin much of the trade mark related jurisprudence of the ECJ are tools of the court directed at a balancing of national trade mark laws and Community Policy. They are not therefore generally applicable concepts of national

117. Rutherford 291.

law and are hardly progressive in that they maintain the primacy of the origin function of trade marks (albeit in its modern abstract form) in the face of a pressing need for the full range of trade mark functions to be recognised and given effect at law.

This need is apparent also in the law of the U.S.A. which the following Part considers.

PART 5

MODERN TRADE MARK LAW IN THE U.S.A.

CHAPTER 14**MODERN TRADE MARK LAW IN THE U.S.A.**

The U.S.A. has the largest domestic free market of any country in the world and against this background ongoing consideration has been afforded to the trade mark law which is constantly examined and debated in relation to contending theories concerning the proper basis of trade mark protection.

The debate is relevant to this work as theoretically valuable in the macro sense and in the micro sense because South African courts are entitled to consider American authority where the Roman Dutch law is silent¹ and in view of the fact that the dilution doctrine - which is of American origin - was introduced to South African law under the Trade Marks Act, No 194 of 1993, on 1 May 1995.

This chapter considers the general themes underpinning U.S. trade mark law which include formalist versus realist approaches, whether trade mark protection is monopolistic or competitive, the central position of the confusion standard and the protection afforded trade marks under the Lanham Act, the common law and the state dilution statutes. The conflict between property and public policy approaches to trade mark protection and the new and developing rationales relating thereto are included in the discussion.

The dilution doctrine, as will be seen, requires recognition of the advertising function of trade marks and is underpinned, according to some, by the thought that there is property in a trade mark. It is essential, therefore, to examine the doctrine briefly in

1. See p 230 *supra* regarding *Policansky Bros Ltd v L H Policansky* 1935 AD 89.

this chapter as to its content and context, and to its success or failure in the U.S. trade mark system as this will be relevant background to any endeavour to apply the doctrine in its American guise within the South African system.

This chapter also concludes the brief historical investigation in this work of U.S. trade mark legislation and considers relevant aspects of the Lanham Act in particular.²

The chapter regards U.S. trade mark law mainly from the perspective of trade mark function as the writer's examination of the law has led him to conclude that functional theory provides a useful perspective from which to approach the trade mark law of the U.S.A. and its developing themes. This also provides a useful underlay to the theoretical chapters of Part 6 which follows.

The functions which trade marks fulfil are universal. The manner in which the various legal systems deal therewith, however, differ. The discussion of U.S. trade mark law in this chapter in relation to trade mark functioning and related concepts is directed at universal issues of central importance to this work. Of particular relevance is the recognition of new trade mark functions and the need for their legal protection. This is revealed clearly by the paragraphs which deal with the debate concerning trade mark economics in the U.S.A..

My investigations concerning the trade mark law of the U.S.A in the aforementioned context has precipitated five premises which I suggest are true of the development of trade mark law as a whole. These premises, which are developed upon in later chapters, are:

2. The Trademark Act of 1946 (Lanham Act) 15 USC 1072. See chapter 3 at p 64-69 *supra* regarding earlier legislation.

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- a* The functions performed by a trade mark have diversified with the passage of time in response to the demands and innovations of the market place.
- b* Trade mark functions vary and trade marks can fulfil one or more of a number of functions which often overlap and commix. These include:
- b(i)* to identify and distinguish goods and services;
 - b(ii)* to indicate ownership, origin, actual source, anonymous source, and quality;
 - b(iii)* to advertise merchandise and to sell goods and services;
 - b(iv)* to serve as property and provide security;
 - b(v)* to symbolise goodwill;
 - b(vi)* to convey information;
 - b(vii)* to fulfil so-called economic functions - positive or negative - such as promoting competition, providing market language, reducing search costs, or constituting barriers to entry.
- c* From its beginning trade mark law has been called upon to respond to the functions performed by trade marks which have developed in commerce with the passage of time.
- d* The need to protect new and often improperly defined and misunderstood functions has given rise to a number of new and often overlapping rationales for protection such as dilution and the misappropriation of various aspects of trade marks.
- e* the law has been unable to respond consistently or uniformly to the demands for protection of newly perceived functions because of the want of a satisfactory and all embracing theory of trade mark

protection. This is particularly so in the U.S.A. where the dichotomy of competition versus monopoly which underlies U.S. competition law manifests itself in *laissez faire* versus monopoly and public protection versus property theories of trade mark protection.

1. *FORMALISM v REALISM*

1.1 *Formalism*

During the late nineteenth century a formalistic and elaborate doctrinal system based upon etymology developed in the law of trade marks and unfair competition at common law.³

This approach was a consequence of the conception that trade marks are property and arose at a time where property rights were regarded as conferring exclusivity against the world at large. Property, therefore, afforded monopoly and hence the trade mark owner was conceptually able to prevent even innocent infringement of the trade mark without considerations of fraud intervening. Provided a mark qualified as a technical trade mark the proprietor was afforded property therein to which competitors had no claim.⁴ On the other hand there was no property in descriptive or geographical words which were required by competitors and no monopoly could, therefore, be obtained therein. In response to the argument that trade marks afforded a monopoly it was argued that words used as trade marks afforded only a limited right to the owner, which was to prevent use thereof as trade marks by others in relation to certain goods. Thus, no monopoly in language resulted which would prevent use of the word in ordinary discourse.

3. McClure 69 TMR 305-356 (1979) 319.

4. It will be recalled that technical trade marks (a term of art) referred to marks which were inherently distinctive. See p 68 *supra*.

Essentially, trade marks merely protected property. Hence, no economic monopoly was created thereby because the rights of others to sell or manufacture the goods concerned was not restrained in any way.⁵

The theory that trade marks comprise property and indicate origin gave rise to a series of rules directed at defining and limiting the property right concerned. Absolute protection was granted upon infringement of technical marks but descriptive and generic marks - which were not able to indicate origin - did not constitute property. Where such marks however acquired a "secondary meaning" i.e. came to indicate origin through use over time, they were afforded limited protection.⁶ "Suggestive marks" were afforded protection in order to obtain an equitable result where the formalistic test for technical marks, when strictly applied, brought about a severe result. Suggestive marks were protected because they merely alluded to the general nature or character of the goods and were therefore not to be regarded descriptive.⁷

According to **McClure**, formalism was typical of American law during the period 1870 to 1930 and rendered the property right approach congruent with monopolist theory. He states of this phenomenon:

In trademark law once the balance of exclusive rights versus competition was struck to the satisfaction of prevailing interest groups, the balance was frozen and rigidified by the creation of objective rules which were made to appear neutral and apolitical by a conception of law as science. Those economic interests which had succeeded in the competitive struggle of the nineteenth century could consolidate and

5. McClure 318-319.

6. See McClure 319-320.

7. McClure 323. Both "secondary meaning" and "suggestive marks" were terms of art.

*preserve their gains by having property rights conferred on the competitive advantage they enjoyed. Trademark rights were a way of creating safe harbors against the ravages of competition, a place where their economic power was securely protected.*⁸

During the 1930's, legal realism came to the fore and the conceptual formalism of the past era came under realist attack.⁹

According to **McClure**, the culmination of formalist conceptualism in trade mark and unfair competition law in the U.S.A. was reached with the decision in **International News Service v Associated Press (INS)**, whilst the writings of **Schechter** during 1927 represented the furthest extension of thought regarding the protection of trade marks as property.¹⁰

1.2. *INS*

In this case Associated Press (AP) and International News Service (INS) were competitors in the gathering and distribution of news and its publication for profit in newspapers throughout the U.S.A.. AP was so organised that under its by-laws its members agreed that news received through the AP news service was received for exclusive publication in member's newspapers only. AP alleged that INS had pirated news gleaned by AP in a number of ways, including the copying of AP news from bulletin boards and early edition newspapers of AP members which INS then sold with or without rewriting to its own customers. The Supreme Court was ultimately called upon to decide the dispute and **Mr. Justice Pitney** delivered the opinion of the court.¹¹ It was

8. McClure 321-322.

9. McClure 326-327.

10. McClure 323-324, 324-325. *International News Service v Associated Press* 248 U.S. 215 (1918). See p 439 *infra* regarding Schechter.

11. See Pattishall and Hilliard *Trademarks and Unfair Practices* 15-50. I deal with the decision of the court fully in view of the universal importance of the case.

held that the case was not to be decided upon the general question of property in news matter under common law or upon the application of the copyright act. The case turned upon the question of unfair competition in business. The parties were competitors in the business of making news known to the world.

That business consists in maintaining a prompt, sure, steady, and reliable service designed to place the daily events of the world at the breakfast table of the millions at a price that, while of trifling moment to each reader, is sufficient in the aggregate to afford compensation for the cost of gathering and distributing it, with the added profit so necessary as an incentive to effective action in the commercial world. The service thus performed for newspaper readers is not only innocent but extremely useful in itself, and indubitably constitutes a legitimate business. The parties are competitors in this field; and, on fundamental principles, applicable here as elsewhere, when the rights or privileges of the one are liable to conflict with those of the other, each party is under a duty so to conduct its own business as not unnecessarily or unfairly to injure that of the other. Hitchman Coal & Coke Co. v Mitchell, 245 U.S. 229, 254.

Obviously, the question of what is unfair competition in business must be determined with particular reference to the character and circumstances of the business. The question here is not so much the rights of either party as against the public but their rights as between themselves. See Morison v Moat, 9 Hare, 241, 258. And although we may and do assume that neither party has any remaining property interest as against the public in uncopyrighted news matter after the moment of its first publication, it by no means follows that there is no remaining property interest in it as between themselves. For, to both of them alike, news matter, however little susceptible of ownership or dominion in the absolute sense, is stock in trade, to be gathered at the cost of enterprise, organization, skill, labor, and money, and to be distributed and sold to those who will pay money for it, as for any other merchandise. Regarding the news, therefore, as but the material out of which both parties are seeking to make profits at the same time and in the same field, we hardly can fail to recognize that for this purpose, and

as between them, it must be regarded as *quasi* property, irrespective of the rights of either as against the public.¹²

Mr. Justice Pitney went on to say:

The right of the purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with complainant - which is what defendant has done and seeks to justify - is a very different matter. In doing this, defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money, and that defendant in appropriating it and selling it as its own is endeavouring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself, and a court of equity ought not to hesitate long in characterizing it as unfair competition in business. The underlying principle is much the same as that which lies at the base of the equitable theory of consideration in the law of trusts - that he who has fairly paid the price should have the beneficial use of the property. Pom. Eq. Jur., par 981. It is no answer to say that complainant spends its money for that which is too fugitive or evanescent to be the subject of property. That might, and for the purposes of the discussion we are assuming that it would, furnish an answer in a common-law controversy. But in a court of equity, where the question is one of unfair competition, if that which complainant has acquired fairly at substantial cost may be sold fairly at substantial profit, a competitor who is misappropriating it for the purpose of disposing of it to his own profit and to the disadvantage of complainant

*cannot be heard to say that it is too fugitive or evanescent to be regarded as property. It has all the attributes of property necessary for determining that a misappropriation of it by a competitor is unfair competition because contrary to good conscience.*¹³

A defence based on the want of palming off was disposed of thus:

*Regarding news matter as the mere material from which these two competing parties are endeavouring to make money, and treating it, therefore, as quasi property for the purposes of their business because they are both selling it as such, defendant's conduct differs from the ordinary case of unfair competition in trade principally in this that, instead of selling its own goods as those of complainant, it substitutes misappropriation in the place of misrepresentation, and sells complainant's goods as its own.*¹⁴

Thus, the property conception was extended to afford the complainant relief based upon quasi - property rights in material upon which labour, skill and money had been invested. According to **McClure**, although the court was obviously moved by considerations of fairness and equity it based its decision on concepts of property.¹⁵

In the lengthy dissent by **Justice Brandeis** the seeds of destruction of formalism were, however, sown.¹⁶

Justice Brandeis denied that the fact that a product of the mind has cost its producer money and labour and has a value for which others are willing to pay is sufficient to vest it with the legal attribute of property. The general rule of law, he found, is that knowledge, truths ascertained, conceptions and ideas ("the noblest of human productions") became *publici iuris* after voluntary communication to others.¹⁷

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- 13. P 221 of the judgement.
 - 14. See p 222 of the judgement.
 - 15. See McClure 325.
 - 16. See McClure 325-326.
 - 17. P 225 of his judgement. Justice Holmes also dissented.

Nevertheless, INS has come to stand for a general common law property right against "misappropriation" of commercial value even though it has not been particularly well received and has not found general application in trade mark cases.¹⁸

1.3 *Realism*

The realists:

- 1.3.1 stressed discretionary choice rather than formalism on the part of judges;
- 1.3.2 stressed the importance of providing law with a social context;
- 1.3.3 required the investigation of empirical facts;
- 1.3.4 considered law as a means of social change and developed a jurisprudence which stressed the social function of law and legal policy.¹⁹

In the field of trade mark law conceptualist approaches to trade marks were attacked as was to be expected. **McClure** assesses the realist impact as follows:

The result of the realist attack brought about changes in the rhetoric of judges and commentators, though the doctrinal changes were less dramatic. The property justification of protection was replaced by arguments in favour of protecting business good will or value resulting from use. Protecting the public from confusion and deception became a more prominent rationale than protecting property. The distinction between trade marks and trade names narrowed. Unfair competition torts expanded to various novel sorts of commercial wrongdoing, though both the dilution statutes and the I.N.S. doctrine met with stiff resistance. The basis of unfair competition seemed to be grounded more

18. See Ginsberg, Goldberg and Greenbaum *Trademark and Unfair Competition Law* 144; Hanson and Walls 81TMR 480-533 [1991] 502-504.

19. McClure 327-328.

in general principles of equity, fairness, and unjust enrichment than in property rights.

*The key development in trade mark analysis, spurred by the legal realist insistence on factual and scientific enquiry, was the examination of the economic consequences of trademarks using modern tools of social science.*²⁰

2. TRADE MARKS AND ECONOMICS

A discourse upon the policy considerations underlying U.S.A. competition law, with particular reference to the role of trade marks, provides a necessary context within which to consider the trade mark law of the U.S.A. when regarded as a whole. It appears to the writer that the still unresolved conflict between monopoly and competition theories in relation to trade marks provides a essential backdrop to the law.

Two schools of economic thought have vied for acceptance. Firstly, during the 1930's economists of the "Harvard school" curtailed the broader protection for trade marks suggested by **Schechter**.²¹ The Harvard economists propounded that in differentiating standardised products by means of trade marks and by achieving consumer brand loyalty through advertising, a producer could insulate his market share from competition and create high barriers to entry in the market. This school of economic thought remained a force into the 1980's. Secondly, and by way of contrast, the "Chicago school" suggested that branding and brand advertising reduces the cost of searching for goods, fosters quality control and promotes entry into markets. The latter view has only recently prevailed.²²

20. McClure 329.

21. Schechter 60TMR 334-352 (1970) reprinted from 40 Harvard Law Review 813.

22. See Swann and Davis 84 TMR 267-299, (1984) 271.

2.1 *Landes & Posner*²³

These authors of the "Chicago school" have sought to formalise the economics of trade marks, relate trade marks to other forms of property and have brought into consideration links between the economics of language and communication and the principal doctrines of trade mark law. They regard trade mark law as part of the branch of tort law known as unfair competition and conclude that - like tort law in general - trade mark law seeks to promote economic efficiency.²⁴

In discussing the economics of property rights in law the authors regard a property right as a legally enforceable power to exclude others from using a resource without the need to contract with them.²⁵

In economic terms, trade marks reduce consumer search costs. Simply put, trade marks allow consumers to expend less time and effort in making a choice of product than would be the case if the product was unmarked.²⁶

To have value, according to **Landes & Posner**, trade marks must indicate a consistent product quality. A brand will not maintain its strength by the investment of advertising resources alone. It is consistent quality over time which underpins the brand. In denoting consistent quality, trade marks require and provide an incentive to the producer to maintain consistency of quality. This the authors regard as the self-enforcing feature of trade marks. Inconsistent quality will result in a firm achieving insufficient returns for it to invest in promoting trade marks connected with an inconsistent brand. Thus, inconsistent quality

23. William M Landes and Richard A Posner are contemporary members of the "Chicago school". See Landes & Posner 78 TMR 267-306 (1988).

24. Landes & Posner 267.

25. Landes & Posner 267.

26. Landes & Posner 271.

renders the product equivalent to a non-branded good. Hence, a valuable trade mark renders a firm reluctant to lower or fluctuate product quality as the firm will suffer loss of brand reputation coupled with a capital loss on investment in the mark should product quality not be maintained.²⁷ In sum:

*The value of a trademark is the saving in search costs made possible by the information or reputation that the trademark conveys or embodies about the brand (or the firm that produces the brand). Creating such a reputation requires expenditures on product quality, service, advertising, and so on. Once the reputation is created, the firm will obtain greater profits because repeat purchases and word-of-mouth references will generate higher sales, and because consumer will be willing to pay higher prices in exchange for lower search costs and greater assurance of consistent quality.*²⁸

This view suggests that trade marks fulfil both an economic and an assurance function (also known as the guarantee or quality function). That both these functions require protection at law is clear from the following:

*However, the cost of duplicating some one else's trademark is small - the cost of duplicating a label, design, or package where the required inputs are widely available - and the incentive to incur this cost (in the absence of legal regulation) will be greater the stronger the trademark. The free-riding competitor will, at little cost, capture some of the profits associated with a strong trademark because some consumers will assume (at least for a time) that the free-rider's brand and the original trademark holder's brand are identical. If the law does not prevent it, free-riding will eventually destroy the information capital embodied in a trademark. The prospect of free-riding may therefore eliminate the incentive to develop a valuable trademark in the first place.*²⁹

27. Landes & Posner 271-272.

28. Landes & Posner 272.

29. Landes & Posner 272.

The authors also consider trademarks from the point of view of communication and the economics of language. They state that from the point of view of economics the goal of a communication system is to minimise the sum of the costs of avoiding misunderstandings and the cost of communication. They postulate that the cost of a system under which the coiner of a word would obtain a property right would be so large as to render such a system untenable. The cost of legally enforceable trade marks, however, are not substantial. There are infinite combinations of letters leading to pronounceable combinations for use as trade marks which implies a slight value in exchange. At the same time the cost of enforcement of trade marks are modest as is the cost of transfer thereof as part of a business or under a right to license.³⁰

The authors also consider the argument that insofar as trade marks foster differentiation, they also foster monopoly, or excessive competition, or both, which creates "deadweight costs". According to this approach the owner spends money on creating an image, often spurious, of high quality which deflects consumers from lower price substitutes to higher priced equivalents. This leads to rent taking through the monopoly of high ground. Name brand goods which command higher prices than identical no-name brands illustrate the power of advertising to mislead the public and promote monopoly. As branding requires trade marks they become the means of taking monopolistic rents. Additional costs result as the expenditure of one firm in promoting its mark cancels out that of another firm. In this way rent taking is transformed into costs. No monopoly profits then remain but confused consumers must pay higher prices whilst resources are wasted in sterile

30. Landes & Posner 276. It is sometimes argued that a language comprises a largely limited number of words which can be depleted by appropriation thereof as trade marks. It must however be remembered that the word chosen as a trade mark is not removed from general use. What is enjoined is the right to use the word in trade to distinguish product.

competition. In other words, trade marks promote social waste and consumer deception rather than lowering search costs and fostering quality.³¹

Landes & Posner answer that when their model is correctly applied, the proper construction is rather that consumers will pay a premium for brand assurances of the quality of the manufacture. In so doing consumers will spend less time searching for the quality required. In this event costs will be saved.³²

The authors construct their model as follows: the full price of a good is its money price plus the search costs incurred by the buyer in obtaining information about the good. If search costs decline because consumers have more information the producer can raise its price without exceeding the full price the consumer is prepared to pay:

*A firm produces information that reduces consumer search costs in part through its trademark. The more resources the firm spends developing and promoting its mark, the stronger will its mark be and the lower, therefore, consumer search costs will be; so the firm will be able to charge a higher price.*³³

Thus, the stronger the trade mark the lower the search cost and the higher the money price. According to the authors this equation provides the incentive for a trade mark owner to expend resources on strengthening the trade mark. Spending money on strengthening a trade mark increases the money price of goods. Consequently firms with strong trade marks command higher prices for their brands because of lower search costs and not because of monopoly power.³⁴

31. Landes & Posner 276-277.

32. Landes & Posner 277.

33. Landes & Posner 277.

34. Landes & Posner 278.

The **Landes & Posner** model implies that the information provided by a trade mark has two elements. The first enables the consumer to identify the single (albeit often anonymous source) which reduces search costs. In this instance selection of product is enhanced via past selection or the recommendations of other consumers. Secondly, the trade mark furnishes information regarding the product itself. Describing or alluding to the properties of the brand also lowers search costs.³⁵

According to **Landes & Posner**, where the trade mark comprises distinctive invented words the number of available words remaining in the language are too large to bring about language costs. Where however an undertaking seeks to impose exclusive rights upon words which describe the product, this increases search costs because other firms must then adopt a prolix message in order to inform, which results in less cost effective information.³⁶

A further aspect of the **Landes & Posner** model is that trade marks give a firm the incentive to improve the quality of its products. They illustrate the point thus: suppose that the brand of A is superior in quality to the brand of B. If A does not have an exclusive right to its trade marks B can adopt them and mislead consumers into concluding that brand B is the equivalent to the brand of A. If it were made costly for consumers to determine the superiority of A's brand this would remove A's incentive to incur the added cost of producing and distinguishing a better brand. The product as a whole would therefore be of a lower quality than it would be if not afforded protection by legally enforceable trade marks.³⁷

2.2 *Carter*

Aspects of the views of **Landes & Posner** have been

35. Landes & Posner 278.

36. Landes & Posner 279.

37. Landes & Posner 279.

subjected to criticism by **Carter**.³⁸

The most relevant thereof from the perspective of this thesis is the attack upon the view which regards trade marks fungible and infinite in number. According to **Carter**, some marks are indeed better than others from the point of view of being inherently cheaper information economizers than others because consumers respond more positively to certain marks. As **Carter** puts it "the idea that some marks are better than others plainly accords with intuition. (Why EXXON? Well, try selling gasoline under the name OXXEN. Or, for that matter, GRODROK.)" This construction, says **Carter**, accords with the empirical literature, which suggests that consumer preferences are somewhat more complex than the simple information model tends to assume. Moreover, unless some marks are better than others, firms are acting irrationally when they test to see which names or symbols will be most attractive to consumers before choosing marks for new products. Assuming instead that these firms are acting rationally, it must be the case that even before proceeding to advertise - that is, before beginning to build goodwill - a firm that adopts one of the better marks will face lower entry costs, and probably lower long-run costs, than a firm that adopts one that is not as good. Both firms must advertise to build their markets, but the first firm, without regard to product quality, has an advantage if its mark is better.³⁹

Carter agrees that in theory, the legal protection of trade marks provides incentives for firms to make investments aimed at gaining consumer confidence in their trade marks. Trade marks, therefore, fulfil an information function insofar as they provide packets of information which promote an efficient function in the

38. See Carter 99 Yale Law Journal 759-800 (1990).

39. Carter 770-771. This approach appears to imply that certain trade marks can have inherent value.

market by lowering consumer search costs.⁴⁰ A trade mark states **Carter**, is part of market language. When the law allows a firm to appropriate a mark, the size of the set of words (or symbols, patterns, colours and other signs as the case may be) then available to the next firm is reduced. If consumers are however able to use the mark as an information economising device the benefit of the removal of the mark will almost certainly outweigh the costs thereof. The cost of a good to the consumer is equal to the price thereof plus the cost of search. The greater the goodwill behind the mark the larger the number of consumers which will have a positive association to it and the better off the firm will be due to the increase this can bring about in price. At the same time the consumer is better off as a larger nett economy results from there being no additional search costs. This outweighs the monopoly argument against trade marks, according to **Carter**, as long as marks which are in fact representative of goodwill are removed from the pool.⁴¹

Thus, according to **Landes & Posner**, in economic terms trade marks are justified protection because they lower consumer search costs and ensure maintenance of quality. If goods were not marked, potential purchasers would be unable to rely on any brand name, trade mark or distinctive trade dress to identify the source of the goods and would need a means of testing the product directly. Therefore, the more valuable a mark the greater the incentive for the producer to maintain the level of quality that creates the value and lowers the cost of the search. If the law were not to protect marks, a producer, faced with competition which is free to imitate the symbols and trade dress of another, would have no incentive to mark its goods and consumer search costs would therefore be raised. This in turn

40. Carter 759.

41. See Carter 763. But see footnote 30 at p 394 *supra*.

would lessen the incentive to maintain a high quality product.⁴²

The economic justification for trade marks as described above does however not meet with **Carter's** full approval in that he argues that protection of marks that distinguish but convey no information to consumers carries significant but rarely discerned costs. According to **Carter**:

*The traditional economic justification for trademark law rests on the pre-premise that the set of available marks is virtually infinite and, in consequence, that the actual mark chosen by a firm to represent its goods is irrelevant. If that assumption turns out to be false - if even before the public comes to associate a mark with any particular goods or services, some marks are more desirable than others - in allowing protection of marks devoid of markets significance may raise substantial barriers to entry by competitors.*⁴³

2.3 *Economides*⁴⁴

Economides observes that by means of what is termed perception advertising a mental image may be added to the quality and variety features of a trade-marked product which facilitates competition arising in an additional dimension and in connection with which three distortions are possible. He describes the distortions as follows:

*(a) the ability of firms to differentiate products in perceived features may result in more than the optimal number of brands, counteracting economies of scale; (b) precommitted advertising may initially create monopoly power and profits, which then result in the entry of more than the optimal number of firms and the under production of each brand; and (c) perception advertising may distort purchasing decisions, depending on whether mental images are considered valuable.*⁴⁵

42. See the discussion of Landes & Posner in paragraph 4.1 p 392 *supra*.

43. Carter 760. The thrust of Carter's article is a criticism of the federal trade mark system and not a direct response to Landes & Posner. Carter is in turn subjected to criticism by Palladino. See 81 TMR 150-168 (1991).

44. Economides 78 TMR 523-593 (1988).

According to **Economides**, however, the potential distortions described above are more than compensated for by the efficiencies which arise from the ability of trade marks to distinguish between goods with unobservable variances in quality and variety features.⁴⁶

It is to be noted that the unobservable features of a good which consumers value can be crucial determinants of the total value of the good. Observable features, on the other hand, can often be imitated to the smallest detail even though huge differences remain in the unobservable features of the product. If goods are not trade marked enabling the consumer to choose between goods, the desirable product will only be obtained by chance. Thus, from the point of view of economics, consumers are afforded an educated choice to obtain desired qualities by means of trade marks. Furthermore, trade marks provide an incentive to quality which persuades firms from producing products with the cheapest possible unobservable qualities. But where the consumer has a trade mark to assist him in identifying the goods with the desirable unobservable qualities, a clear choice is provided in accordance with which the firm can act and profit accordingly.⁴⁷

Economides concludes:

I have shown that trademarks play an indispensable role in the efficient provision of experience goods with the variety and quality characteristics consumers desire. A similar role is played by trade marks in upholding the quality level of infrequently consumed goods. Frequently criticised for anticompetitive effects, trademarks make competition in perception advertising possible. However, distortions of perfect competition arising from perception advertising can occur. Competition in perception advertising without intertemporal effects will result in a higher number of brands than is optimal. However, in an exogenously growing market, the existence of small intertemporal effects

46. Economides 532.

47. Economides 526.

*of perception advertising (i.e., the existence of brand loyalty) can be beneficial because it restricts, through the creation of small barriers to entry, the number of brands towards the optimal number. The opposite results can occur if entry is sequential. The exact magnitude of such distortions is difficult to quantify. However, the benefit to the economy of trademarks, because of the efficient provision of variety and quality features, seems likely to outweigh the welfare loss caused by the distortions they create.*⁴⁸

2.4 McClure⁴⁹

A brief discussion of the overview of the monopoly versus competition conflict provided by **McClure** concludes my discussion of the debate concerning trade mark economics in U.S. law.

In **McClure's** view the law of unfair trade practices in the U.S.A., which recognises exclusive rights in intellectual property, remains on a collision course with the body of anti-trust law and economics. Contemporary economic thought is based upon the ideal and value of perfect competition achieving the most perfect allocation of resources. To this ideal monopoly is repugnant. Injury done to a competitor as a result of unfair competition is not, he submits, inherently tortuous. The difficulty lies in determining which conduct is sufficiently unfair to deny a competitor the privileged status normally given to competitive acts.⁵⁰

Essentially, the competitive ideal promotes competition whilst monopoly limits it. It is for the law to balance the two.

48. Economides 538-539.

49. See footnote 3 at p 384 *supra*.

50. McClure 306.

According to **McClure**, trade mark law is a compromise between protecting business goodwill represented by the trade mark, preventing misappropriation of goodwill through passing-off, upholding commercial morality, preventing confusion of the public (which provides the justification for trade mark protection) and furthering the competition ideal, which conflicts with all the foregoing.⁵¹

Although clearly in conflict with the competition ideal, intellectual property monopolies in the nature of patents and copyrights are justified, states **McClure** in that they provide incentives to innovation and creativity which are worthy of protection. In trade mark cases, however, the only monopoly given is the right to prevent others from using similar marks as identifying symbols in relation to their products. This represents only a slight impediment to competition in that competitors are not prevented from producing identical or similar products. Nevertheless, modern economic theory holds that promotion of a trade mark by extensive advertising may result in product differentiation - which creates a barrier to entry into a monopolistic or oligopolistic market. This is anti-competitive.⁵²

Regarded historically, the conflict between the competition ideal and trade mark created monopoly has manifested itself since the inception of the law relating to trade marks and, according to **McClure**, this conflict has never resolved itself at any level.⁵³

Monopolies enforced through marks came into early judicial dispute in the seventeenth century and this found an echo during the eighteenth century in the case of **Blanchard v Hill**. Earlier royal abuses had led to

51. McClure 306-308.

52. See McClure 307. The anti-competitive construction, which McClure postulates is derived inter alia from Chamberlin, of the "Harvard School". (See footnote 15 of McClure's work. See also Economides 532).

53. See McClure 308, 309.

antipathy towards monopoly and it was a fear of monopoly which led to the refusal in 1862 of the first attempt to afford trade marks registration in England.⁵⁴

The property notion of trade marks aggravated the conflict insofar as it appeared to grant a monopoly.⁵⁵

I have already observed that conceptual formalism, therefore, tended to favour the monopoly approach insofar as it favoured the concept of property in a trade mark.⁵⁶

The realists supported the views of **Chamberlin** who was the first to suggest (during 1933) that trade marks led to product differentiation through the means of advertising as it gave rise to consumer loyalty.

Consumer loyalty, in turn created barriers to entry and monopoly. Realist support for **Chamberlin's** views revived anti-monopoly sentiment which did not, however, prevail in the courts.⁵⁷

Theoretical resistance to the "Harvard school" came during 1974 when the "Chicago school" argued in favour of trade mark protection on two grounds. Trade marks were not, it was argued, barriers to entry and are in fact pro-competitive because they render savings on consumer search costs. Secondly, trade marks provide incentives which ultimately encourage better products.⁵⁸

According to **McClure**, modern U.S. law is the story of realism never arriving. The Lanham Act, he states,

54. See McClure 312-313. *Blanchard v Hill* is discussed at p 22-23 *supra*.

55. McClure 318. "Patents, copyrights, and trade-marks excite two deeply seated feelings. One is the feeling of anyone who has originated anything of his right to claim an exclusive property in it and the trade mark growing out of it. The other is hatred of monopoly". See McClure 318, footnote 70.

56. See p 384-386 *supra*.

57. See McClure 330-331, 345.

58. See McClure 346-347.

froze common law doctrine and the courts have in general been "neo-formalistic". There is, nevertheless, a general trend towards more competition - the dilution cases excepted.⁵⁹ **McClure** favours the limiting rules which arose in law in support of anti-monopolistic views but eschews their application in limbo:

*When these rules are applied in a vacuum without any consideration of the structure of the industry or of economic policy, the result is not so much to benefit competition as it is to needlessly withdraw protection from the accumulated good will of a business and reward the commercial piracy of infringers. Openly considering economic consequences might indicate that only in a few cases would protection tend to preserve the market structures of monopolistic or oligopolistic industries with high entry barriers, and protection would be accorded unless real anticompetitive results were foreseeable.*⁶⁰

McClure is, however, constrained to concede that from a practical point of view it would probably be difficult for courts to properly consider and apply the market consequences of any alleged trade mark monopoly and unpredictable results could follow an improper investigation. Nevertheless, he suggests that a realist approach would eventually develop workable standards to reconcile the disparate goals of monopoly and competition by properly defining the measures of protection.⁶¹

It is interesting to note **McClure's** observation that the conflict between the morality of competitors to behave equitably and open competition i.e. morality versus policy, was typical of private law between 1800 and 1870. The swing from monopoly to open competition made developmental economic sense insofar as it represented a response to the demands of the formative stages of the American economy which followed upon the Industrial Revolution. The advent of property formalism during

59. See McClure 340, 344-345.

60. See McClure 355.

61. See McClure 354-356.

the period 1870-1930 however put a break upon the trend, as has been pointed out.⁶²

As the twenty-first century approaches, the theoretical economics based dichotomy of U.S. trade mark law - monopoly versus competition - remains in need of balance, and is unresolved.

3. *THE LANHAM ACT*

I proceed to consider the specific protection afforded trade marks in U.S. law. In U.S. law protection is afforded trade marks under the Lanham Act, at common law and under the state dilution statutes.

The Lanham Act is considered first. The discussion thereof includes the protection which the Act affords trade marks, the definition of a trade mark and the assignment and licensing of trade marks thereunder, which completes the historical overview of relevant aspects of U.S. federal trade mark statutes commenced in chapter 3.

3.1 *Legislative History*

At the time of the enactment of the Lanham Act on 5 July 1946, the 1905 Act - which was amended or supplemented on sixteen occasions and principally in 1920 and 1938 - was still in force.⁶³

The 1920 Act⁶⁴ enabled marks which were not registrable under the descriptiveness or name provisions of the 1905 Act to be registered - provided they had been in used for one year and could distinguish goods. After the 1920 amendments, registration was without limitation as to term unless voluntarily cancelled. Applications

62. See McClure 315-316 and p 384-386 *supra*.

63. See Pattishall 68 TMR 121-147 [1978] 136. See p 67-69 *supra* regarding the 1905 Act.

64. Act of March 19, 1920 15 USCS 121-128.

could not be opposed and the register could not be rectified even where new applications were registered in the face of the same or similar marks already on the register. This led to the register becoming a repository, overshadowing the original purpose of the Act, which was to assist U.S. trade mark owners to obtain foreign registration in territories where domestic registration was a condition precedent for local registration to be obtained and, in some instances, to doing business in the foreign territory concerned.⁶⁵

The 1938 Act⁶⁶ provided for registration of collective marks and gave effect to certain U.S. treaty obligations. Ultimately it failed in its purpose concerning collective marks, which were not properly defined in the Act.⁶⁷

The Lanham Act had its genesis at a meeting of the Patent Section of the American Bar Association in St. Louis during 1920. It had long been perceived that the 1905 Act was inadequate and the ABA appointed a committee to consider its revision. A draft bill was returned to the ABA during 1921 and later, as the Vestal Bill, was submitted to congress on a number of occasions without becoming law.⁶⁸

Thereafter, a bill drafted by **Edward S Rogers** was submitted to congress by **Senator F G Lanham** during 1938, without success. Similar bills were debated on subsequent occasions but engendered strong opposition particularly from the Justice Department which argued that monopolies would result.⁶⁹ According to the Senate Committee on Patents:

The purpose of this bill is to place all matters relating to trademarks in

65. See Pattishall 136.

66. Act of June 10, 1938 ch. 332, par 1-3, 5,52 Stat 638, 639.

67. The Trademark Act of 1946, section 22, 15 USC par 1072 (The Lanham Act); See McCarthy *Trademarks and Unfair Competition* 138-142; Pattishall 136-137.

68. Pattishall 136-137.

*one statute and to eliminate judicial obscurity, to simplify registration and to make it stronger and more liberal, to dispense with mere technical prohibitions and arbitrary provisions, to make procedures simple, and relief against infringement prompt and effective.*⁷⁰

The bill was ultimately passed in amended form on 5 July 1946 and came into force on 5 July 1947.⁷¹

3.2 *Import of the Lanham Act*

The Lanham Act created the first system of nation-wide protection for trade marks in the U.S.A.. The registrant of a trade mark under the Act became the national proprietor of the trade mark extending his protection to markets he had never entered and might have had no intention of entering. Thus, common law proprietorship of a trade mark used in one part of the country became, through registration, proprietorship of the mark throughout the U.S.A.. According to **Carter**, the trade mark owner was, therefore, given the benefit of more than he had invested in the mark, insofar as a registered mark was protected in markets where it had no significance.⁷²

According to **Carter** a mark has significance only when it is used to identify goods, otherwise it remains in the market language free for any party to appropriate. He states:

This background understanding, that only marks with meaning are protected, is the pillar of the common law of unfair competition. The same understanding is also the principal justification offered for federal protection of trademarks. It contains a critical element that needs to be stressed: the reason that the mark is protected is that it is being used by a particular firm to identify its goods. The mark can identify the firm's goods only if the firm is actually operating (or at least, if the firm's

70. See McCarthy *Trademarks and Unfair Competition* 140.

71. Pattishall 137.

72. See Carter 759-760.

*mark is known) in the market in which it is seeking to protect the mark. For this reason, it is often said that rights in a mark flow from its use.*⁷³

According to **McClure** the Lanham Act was enacted embodying much of prior case law whilst at the same time it simplified registration and broadened the rights of trade mark owners. The anti-monopolists were rejected at the time when the realists were trying to overcome formalist views. Common law doctrine was cemented by the Lanham Act in the face of realist opposition. The Act does not, according to **McClure**, solve key issues despite the intention that it should restate and modernise the law.⁷⁴

3.3 Registrability and use

Under section 45 (15 U.S.C. 1127) of the Lanham Act a trade mark is defined thus:

Trademark

The term "trademark" includes any word, name, symbol, or device or any combination thereof -

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The section defines service marks as follows:

Service Mark

The term "service mark" means any word, name, symbol, or device, or any combination thereof -

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish the services of one person, including a unique

73. Carter 766-767.

74. McClure 333-334.

service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

Service marks are registrable under section 3 of the Act which provides:

SEC. 3 (15 U.S.C. 1053). Subject to the provisions relating to the registration of trademarks, so far as they are applicable, service marks shall be registrable, in the same manner and with the same effect as are trademarks, and when registered they shall be entitled to the protection provided herein in the case of trademarks. Applications and procedure under this section shall conform as nearly as practicable to those prescribed for the registration of trademarks.

It becomes immediately apparent from the definitions that trade and service marks under the Lanham Act function to identify and distinguish the goods and services of different enterprises and indicate source. Thus, in order to be registrable a mark must be capable of distinguishing product and indicating source.

Fanciful and arbitrary marks, because they have the required capacities, are registrable whilst completely descriptive marks are obviously not.

The want of registrability of trade marks with secondary meaning under the legislation in force at the time of the Lanham Act led to the introduction of provisions to enable trade marks with secondary meaning to be registered. A distinctiveness standard was introduced and the term "secondary meaning", long employed by the courts to describe marks which had become distinctive in fact, was not inserted.⁷⁵ The relevant section provides:

75. See Pattishall 140.

SEC. 2 (f) (15 U.S.C.1052). Except as expressly excluded in paragraphs (a), (b), (c) and (d) of this section, nothing herein shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Commissioner may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim distinctiveness is made.

Only marks which have been used *bona fide* in inter-state commerce are registrable. Prior to the enactment of the TMRA⁷⁶ it was necessary for a mark to have been used prior to the application for its federal registration. The TMRA enables the applicant to make application for federal registration if he has a *bona fide* intention to use the mark in inter-state commerce. Registration will not however obtain until the mark concerned has in fact been so used within the time constraints provided for.⁷⁷

Bona fide use of a mark creates common law proprietorship in the mark. Registration under the Lanham Act does not confer ownership but gives constructive notice of the registrant's claim to ownership. At the same time others are prohibited from using similar marks upon their own goods in a way which would bring about confusion, deception or mistake.⁷⁸

Thus, according to **Carter**, federal law has maintained the common law passing off model for the most part, but without the geographical constraints which limits such common law relief to areas where the owner has established a market.⁷⁹ The Act can, therefore, be regarded as applying common law principles in a market which is national. This, according to **Carter**, is

76. The Trade Marks Registration Act of 1988, discussed at p 414-415 *infra*.

77. See Carter 778.

78. See Carter 776-777.

79. See Carter 777.

justified on the grounds that a national mark is thereby fostered which is an important matter in the U.S.A. where the population is mobile, mass advertising is nation-wide in its scope and even if an undertaking does not have a national market, travelling customers can be assured that the familiar mark encountered in another area is the known mark.⁸⁰

The Act does not contemplate the preservation of a mark solely to prevent its use by others. It requires marks to be used if rights of "ownership" are to be maintained therein.⁸¹

3.4 *Innovations of the Lanham Act*

Positively disposed towards the Lanham Act, **Pattishall** provides an overview of its innovations from which the discussion which follows is largely derived.⁸²

- 3.4.1 According to **Pattishall**, the provision of the Act of the greatest consequence appears in section 22 which provides that:

SEC. 22 (15 U.S.C.1072) .

Registration of a mark on the principal register provided by this Act or under the Act of March 3, 1881, or the Act of February 20, 1905, shall be constructive notice of the registrant's claim of ownership thereof.

The effect of this provision was considered in the **Dawn Donut** case. The Plaintiff, who was a wholesale distributor of doughnuts and other baked goods under its

80. See Carter 777.

81. See Carter 777. He points out at footnote 70 at p76-77 that although section 1 refers to the "owner" of a mark who may apply for registration no definition of ownership appears in the Act.

82. Pattishall 139-142.

federally registered trade marks, **Dawn** and **Dawn Donut**, sought under the provisions of the Lanham Act to prevent the defendant from using the mark **Dawn** in connection with the retail sale of doughnuts and baked goods in a fairly limited six county area centered on the city of Rochester, New York State. The plaintiff had licensed purchasers of its mixes to use its trade marks in connection with the retail sale of food products made from the mixes but had not licensed or otherwise exploited the mark at retail level in the defendant's market area for a thirty year period.

The court held that because no likelihood of public confusion arose from current use of the mark in connection with retail sales of doughnuts and baked goods in the areas which delimited the markets of the parties, and because there was no present likelihood that the plaintiff would expand retail use of its mark into the defendant's market area, the plaintiff was not at that time entitled to relief under the Lanham Act and the plaintiff's claim was therefore dismissed.

The court however stated that its decision did not mean that the defendant had acquired a permanent right to use the trade mark in its trading area. Indeed, because of the effect of the constructive notice provision in section 22 of the Lanham Act, the contrary applied. Therefore, should the plaintiff expand its retail activities to the market area of the defendant the plaintiff would succeed in enjoining defendant's use of the mark complained of upon a proper application for relief being brought by the plaintiff.⁸³

- 3.4.2 A further innovation was to render a trade mark in use incontestable after continuous use for five consecutive years subsequent to its date of registration, subject to the specific exceptions provided for in the Act.⁸⁴

83. See *Dawn Donut Co. v Hart's Food Stores, Inc.* 267 F. 2d358 (2d Cir. 1959).

84. See *Pattishall* 139.

- 3.4.3 Another new feature in the Lanham Act was the provision therein intended to introduce a national law prohibiting unfair competition. Section 43(a), which makes provision for the action, is more fully considered hereunder.⁸⁵
- 3.4.4 The Act also introduced amplified protection against infringement, which is discussed fully below.⁸⁶
- 3.4.5 Regarding the number of other innovations of a diverse nature introduced by the Lanham Act, **Pattishall** writes as follows:

*Among the other of the Act's innovative provisions were those for concurrent registration of marks used in separate geographical areas; for clearing the register of unused marks after a six year period; for registering service marks, collective marks, and certification marks; those providing a prima facie presumption of abandonment after two years nonuse, inclusion of equitable principles in inter partes registration proceedings such as oppositions and cancellations, limiting cancellation proceedings, with certain exceptions, to registrations less than five years old; recognition of use by related companies and thereby of licensing arrangements; and those establishing a Principal Register providing full rights and a Supplemental Register providing limited rights.*⁸⁷

The Lanham Act has been amended a number of times since its enactment. The most important amendments were in 1962 when the concept of infringement was broadened by the deletion of the limitation to "purchasers" of those likely to be confused, mistaken or deceived in the test for infringement.⁸⁸

Further substantial amendments were brought about by the Trademark Law Revision Act of 1988 (the TLRA) discussed in the following section.⁸⁹

85. See p 419, 425-429 hereunder.

86. See p 417-425 hereunder.

87. See Pattishall 141 and the sections of the Act referred to at footnotes 112-122 of his article.

88. The Act of October 9, 1962, p L 87-722 76 Stat 769. See Pattishall 141-142.

4. THE TLRA

The TLRA, which came into force during November 1989, brought about the following substantial amendments to the Lanham Act:

- 4.1 It introduced applications for registration of a trade or service mark on the basis of a *bona fide* intent to use the mark in inter-state commerce.
- 4.2 The filing of applications based upon intent to use now established national "constructive use" priority rights for applicants. This is, however, subject to certain specific exceptions provided for in the enactment and the issue ultimately of a registration certificate in the Principal Register once actual inter-state use commences;
- 4.3 Actual *bona fide* use of a trade mark is now required to obtain ultimate registration or renewal, as opposed to token use of marks which was acceptable previously.
- 4.4 Intent to use applications are processed and published for opposition like all other applications based on use. Notices of allowance issue if no opposition is made. However, a declaration of use must be filed within six months of allowance or within a further two year period upon good cause shown, before registration will issue.
- 4.5 Registration and renewal periods have been curtailed from twenty to ten years in order to purify the register.
- 4.6 Causes of action for the infringement of unregistered trade marks or trade dress are expressly recognised together with causes of action for false advertising. The same relief is granted in such actions as that obtainable in respect of the infringement of registered trade marks.
- 4.7 Trade disparagements in the nature of misrepresentations concerning the goods or services of the undertaking of

another are rendered actionable as false advertising for the first time.

The TLRA also introduced further minor changes which are not of relevance to this work.⁹⁰

It is immediately apparent from the above conspectus of US trade mark legislation and the Lanham Act in particular, that the statutory trade mark law of the U.S.A. is fundamentally different to that of the United Kingdom and South Africa both prior to and after the 1994 and 1993 trade mark enactments in these countries. Therefore, in South Africa the doctrine in **Policansky Bros** (a passing off matter) must, in trade mark matters, be applied reservedly.⁹¹

5. ASSIGNMENT

Section 10 of the Lanham Act provides that trade mark and service mark applications and registrations are only assignable with the goodwill of the business in which the mark is used or with that part of the goodwill of the business connected with the user and symbolized by the mark.⁹²

Trade mark assignment theory in U.S. law regards trade marks as property which can be bought, sold and licensed. The property in trade marks has been strictly maintained as being in the goodwill of the business with which the mark is associated.⁹³

Hence, the rule that trade marks are not assignable in gross is strictly applied. Underpinning the rule is the concept that the assignee in an assignment in gross

90. See Gilson TLRA 1988 Comm 5-17 regarding all of the foregoing. See also McCarthy *Trademarks and Unfair Competition* (Cumulative Supp. December 1991) 193-194.

91. See footnote 1. See also Royal Beech-nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods 1992(4) SA 118(A).

92. See 15U.S.C. 1060.

93. See p83 *supra*. McCarthy *Trademarks and Unfair Competition* 792-793.

could use the assigned mark in connection with a different business, goods or goodwill to that with which the mark was previously connected. This would break the continuity of association previously forged by the mark and work a fraud on the purchasing public who are entitled to assume that a mark will continue to symbolize the same goodwill.⁹⁴

The effect of an assignment in gross is, as a general rule, that the assignment is invalid and no rights pass. Hence, subsequent use of the mark by an assignee means that he commences his own use of the mark and cannot rely on the prior goodwill therein acquired through its use by the assignor. In addition, the mark could lose its distinctiveness as an indicator of origin and so become invalidated. On the other hand, if the assignor ceases using the mark even though the rights purportedly assigned remain with him, he could be regarded as having abandoned the mark should the circumstances indicate this.⁹⁵

A valid assignment on the other hand divests the assignor of all his rights in and to the mark and the assignee succeeds thereto together with all the properties therein.⁹⁶

Although recordal of assignment is not peremptory under the Lanham Act a failure to do so will deny the assignee the actions available under the Act as well as protection against a subsequent *bona fide* purchaser.⁹⁷

6. *LICENSING*

There are no specific provisions relating to licensing in

94. See McCarthy *Trademarks and Unfair Competition* 794, 800.

95. See McCarthy *Trademarks and Unfair Competition* 806-810; Carter 985-986.

96. See McCarthy *Trademarks and Unfair Competition* 805.

97. See McCarthy *Trademarks and Unfair Competition* 802-803; See also Carter 785-787 regarding the impact of the TLRA upon the rule against assignments in gross.

the Lanham Act. It is, however, clear that the Act does not prevent licensing for a number of its provisions clearly contemplate controlled licensing.⁹⁸

According to **McCarthy**, whereas common law restrictions limited legal protection to the single function of indicating source only, recognition of the quality assurance function of trade marks during the 1930's led to the acceptance of trade mark licensing based upon control over use of the mark by the proprietor thereof. Simply put, if a mark indicates quality consumers can be assured that products featuring the same mark will be of the same quality. Therefore, if the proprietor ensures that a licensee maintains quality under the licence, the public will not be misled regarding the quality of the product.⁹⁹

Where, however, control by the licensor is absent, one has to do with "naked licencing". As licensing of this kind leads to public deception the mark concerned can lose its significance and its federal registration could be lost.¹⁰⁰

The above review of trade mark assignment and licensing law in the U.S.A. leads to the conclusion that whereas the law of trade mark licensing - which is based upon control over use of the mark - is established and has affirmed the presence of the quality assurance function in the trade mark law of the U.S.A., the assignment of trade marks is restricted because in US law trade marks are afforded significance as appurtenant to goodwill only.

7. *PROTECTION OF TRADE MARKS UNDER THE LANHAM ACT*

Under the Lanham Act trade mark infringement is a *species*

98. *McCarthy Trademarks and Unfair Competition* 829.

99. See *McCarthy Trademarks and Unfair Competition* 826-829.

100. See *McCarthy Trademarks and Unfair Competition* 833-835. *Am Can Enterprises, Inc. v Renzi* 32 F. 3 d 233 (7th Cir. 1994).

of the *genus* unfair competition and involves the same legal wrong.

The Lanham Act was intended to codify the protection afforded trade marks under the common law wrong of unfair competition prior to its enactment - albeit an extended form - whilst at the same time providing a comprehensive system of trade mark registration and protection at federal level. The Act provides protection under the likelihood of confusion standard which applied previously in the common law unfair competition action the Act was intended to codify.¹⁰¹

The infringement provisions of the Lanham Act are to be found in sections 32 and 43(a).

Section 32(1), which defines the section 32 tort, provides:

SEC.32 (15 U.S.C. 1114). (1) Any person who shall, without the consent of the registrant -

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

101. See Hanson & Walls 81TMR 480-533 (1991) 495-496. This article is well written and important in that it indicates that the functions of trade marks are the aspect of trade marks which the law should protect.

In order to succeed in an infringement action under section 32(1) the complainant must therefore establish that:

- 7.1 the trade mark upon which he relies is registered;
- 7.2 the infringer was not acting with his consent;
- 7.3 the infringing mark was a reproduction, counterfeit, copy or colorable imitation of the registered mark;
- 7.4 the infringing mark was used in commerce and was used in connection with the sale, offering for sale, distribution or advertising of goods or services;
- 7.5 use of the infringing mark was likely to cause confusion, or to cause mistake, or to deceive.¹⁰²

Whereas section 32(1) protects trade marks from unauthorized use which is likely to cause confusion, mistake or deception, section 43(a) protects trade marks against use by others which constitutes a false designation of origin or a false or misleading misrepresentation.¹⁰³ Section 43(a) provides:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which -

(1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(2) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

102. See Hanson & Walls 486. Section 32(2) contains special provisions regarding innocent acts by printers, publishers and broadcasters which do not require treatment in this work.

103. See Hanson & Walls 496. Section 43(b) relates to the importation of infringing goods and need not be considered for the purposes of this work.

Under both infringement provisions of the Act the likelihood of confusion is the central enquiry.¹⁰⁴

Hanson & Walls observe that the confusion caused by unauthorised trade mark usage may take a variety of forms which directly relate to the various trade mark functions.¹⁰⁵ In my view this is a crucial insight. Unfortunately the range of functions protected under the Lanham Act is limited to the traditional functions. In the first place, the source or origin function obtains protection.¹⁰⁶

In the second place, also the quality function is protected under the confusion rationale of the Lanham Act as evidenced by cases involving confusion of sponsorship or association:

*When a consumer has come to anticipate a specific level of quality or performance from products bearing a particular trademark, and when the same mark is used on certain other goods, which may or may not be in direct competition with the trademark owner, the consumer may be led to believe some type of association exists between the trademark owner and the marked goods. Either of the Lanham Act's infringement sections protects against the false associations, provided that the owner's mark is federally registered.*¹⁰⁷

Denicola affords a lucid explanation. He writes:

The confusion generated by the unauthorised use of another's mark may take a variety of forms. In the simplest case, the confusion relates directly to source identity. The consumer who wishes to patronise a specific manufacturer may be deceived by the use of a counterfeit trademark and deal instead with the infringer. Frequently, however, a consumer is either uninterested or unaware of the actual identity of the source offering the desired product or service. Prior purchases or

104. Hanson & Walls 496-947.

105. Hanson & Walls 497.

106. See Hanson & Walls 498.

107. Hanson & Walls 498.

advertising may have created a desire to obtain a particular brand, although its source may be entirely unknown. The use of a counterfeit mark may permit an infringer to capitalise on such brand preference by inducing the belief that the merchandise originates from the desired, though unknown, source. In still other instances, however, the trademark may in reality serve not as an indication of source, but rather of quality. The consumer may have come to anticipate a specific level of quality or performance from goods bearing a particular mark, regardless of their origin. Indeed, it is only from this perspective that the licensing of trademarks may be rationalised. Perhaps the clearest examples of this species of confusion are those cases recognising confusion of sponsorship or association as the basis of infringement.

*In its formative stage, the law of trademarks was confined to the problem of confusingly similar marks on directly competitive goods. The primary concern was plainly the wrongful diversion of trade. But there is an additional threat inherent in such circumstances: if the consumer remains mistaken about the origin of the products purchased from the infringer, any subsequent dissatisfaction will be at the expense of the senior user's reputation and good will. This latter interest may be jeopardised even in the absence of any threatened diversion of trade. The division of the two interests is apparent when the senior user's mark is applied by another to non-competing goods. If the public is misled, the trade mark owner's reputation may be endangered despite the absence of direct competition.*¹⁰⁸

The confusion necessary for the infringement of trade or service marks registered under the Lanham Act is not limited to the confusion of buyers as to the source of goods featuring the marks but extends to any kind of confusion, including confusion between products.¹⁰⁹

Clearly the Lanham Act affords extensive protection under the umbrella of the likelihood of confusion standard to both the source and quality functions of trade marks. Although section 43(a) affords wide protection against false advertising by competitors neither this section nor section 32 affords specific

108. Denicola 158 Wisconsin L.R. 158-207 [1982] 162-163.

109. McCarthy *Trademarks and Unfair Competition* Vol. 2 116.

protection to the advertising or selling functions of the trade mark itself.¹¹⁰

The limitations upon the range of functions protected by the Lanham Act is aptly illustrated by the case of **Job's Daughters**.¹¹¹

Job's Daughters, a young woman's fraternal organisation established in 1921, used its name and emblem (three girls within a double triangle) as a collective mark. The fraternity had licensed at least one jeweller to produce jewellery on its behalf and sold some of the licensed jewellery to its members. Jewellery bearing the name and emblem was also sold by a large number of retailers across the U.S.A.. The retailers sold certain jewellery manufactured by fraternity licensees whilst others sold jewellery manufactured by unlicensed sources. One **Lindeburg** had made and sold fraternal jewellery featuring the emblem since 1954 and had sought to be appointed as an "official jeweller" on a number of occasions prior to 1973 when permission so to act was granted for one year only and thereafter withdrawn. **Job's Daughters** brought an action against **Lindeburg**, who continued to use the mark, during 1975 based on infringement of their common law trade mark rights in the emblem, which failed in the federal court.

Job's Daughters relied on the **Boston Hockey** case.¹¹² **Fletcher J** held that the Lanham Act was directed at protecting consumers against deceptive designations of the origin of goods and, conversely, enabled producers to differentiate their products from those of others. The **Boston Hockey** decision "transmorgified" the narrow protection afforded by the Act into a broad monopoly by

110. See Hanson & Walls 499.

111. *International Order of Job's Daughters v Lindeburg & Co.* 633 F.2d 912 (9th Cir. 1980).

112. *Boston Professional Hockey Association v Dallas Cap Emblem* 510 F. 2d 1004 (5th Cir. 1975), discussed hereunder.

the application of perceptions of equity and the desire to bestow broad property rights upon the owners of trade marks. In the latter regard the **Fletcher, J** held:

*A trademarks is, of course, a form of business property. But the "property right" or protection accorded a trademark owner can only be understood in the context of trademark law and its purposes. A trademark owner has a property right only insofar as is necessary to prevent consumer confusion as to who produced the goods and to facilitate differentiation of the trademark owner's goods. The **Boston Hockey** court decided that broader protection was desirable. In our view, this extends the protection beyond that intended by Congress and beyond that accorded by any other court.*

*Indeed, the court in **Boston Hockey** admitted that its decision "may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of the plaintiffs". 510 F. 2d at 1011. We think that this tilt was not slight but an extraordinary extension of the protection heretofore afforded trademark owners.*¹¹³

The court denied **Job's Daughters** relief in finding that use of the mark by **Lindeburg** did not indicate the source or quality of the goods and there was, therefore, no likelihood of confusion and hence no trade mark infringement under traditional trade mark doctrine. The mark served an "aesthetic function" and the jewellery was purchased to indicate an affiliation with the fraternity and not because it was believed by purchasers that the jewellery originated from **Job's Daughters**.¹¹⁴

In the **Boston Hockey** case the respondent had, without authorisation, manufactured and sold emblems which were a substantial duplication of symbols which designated the individual teams of the National Hockey League (NHL). The marks were almost universally known to the public in the U.S.A. by virtue of public attendance at NHL games, extensive national television coverage of NHL fixtures and extensive national news, newspaper, magazine

113. At p 919 of the judgement.

114. See Hanson & Walls 510-511.

and television coverage of the sport. The plaintiff's were a number of NHL teams which had granted exclusive licensing rights in the symbols to various manufacturers which had generated very substantial revenue. The defendant had been denied a licence. It was found as fact that the defendant had deliberately reproduced plaintiff's marks on embroidered emblems and intended the consuming public to recognise the emblems as the symbols of the various hockey teams in order that they might be purchased. The plaintiffs succeeded.

It was said regarding the law that section 43(a) of the Lanham Act creates a federal cause of action for false representation of goods or service in commerce. Unfair competition was a broader area of the law than statutory trade mark infringement and was almost universally regarded as a question of whether the defendant was passing off goods or services as those of the plaintiff, leading to confusion on the part of potential customers. As a general rule, the same facts which would support an action for trade mark infringement would also support an action for unfair competition.¹¹⁵

The court, however, granted relief under section 32(1) holding as follows regarding the confusion requirement of the section:

The district court decided that there was no likelihood of confusion because the usual purchaser, a sports fan in his local sporting goods store, would not be likely to think that the defendant's emblems were manufactured by or had some connection with the plaintiff. This court has held that the findings of a district court as to the likelihood of confusion are factual and not to be overturned unless clearly erroneous. In this case, however, the district court overlooked the fact that the act was amended to eliminate the source of origin as being the only focal point of confusion. The confusion question here is conceptually difficult. It can be said that the public buyer knew that the emblems portrayed the teams' symbols. Thus, it can be argued, the buyer is not

115. See p 1010 of the judgement.

*confused or deceived. This argument misplaces the purpose of the confusion requirement. The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiff's satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem.*¹¹⁶

Thus, the leading cases concerning "association goods" show a difference in jurisprudential approach between the interests of the proprietor of the mark in the **Boston Hockey** case, and the supposed interests of the consuming public in **Job's Daughters**, where there was no confusion in the narrow sense of the trade mark indicating the source of the goods, wherefore relief was denied.¹¹⁷

The test for liability under the Lanham Act is therefore whether the public is likely to be confused or deceived by the similarity of the marks in connection with the source (**Job's Daughters**) or the sponsorship (**Boston Hockey**) which they designate.

The two cases again serve to illustrate the contradistinction between a property oriented approach to trade mark protection (**Boston Hockey**) and an approach founded in the public interest whereunder the public must not be confused (**Job's Daughters**). The cases also serve as an apt illustration that a different approach brings about a different result.

8. PROTECTION OF TRADE MARKS UNDER THE COMMON LAW

Protection against trade mark infringement entered the

116. See p 1012 of the judgement.

117. See Ginsberg, Goldberg and Greenbaum *Trademark and Unfair Competition Law* 473.

common law through an action based upon deceit although it was the public rather than the trade mark owner who were deceived.¹¹⁸ Subsequently, equity intruded to protect the owner's "title" to the trade mark without reference to the question of deceit.¹¹⁹

Denicola puts it thus:

*The law of trademarks and unfair competition has its roots in the common law action of deceit. The gravamen of the complaint was that the defendant had fraudulently marketed goods by utilising an imitation of plaintiff's trademark. Injury to the aggrieved trademark owner was direct: diversion of trade through a misrepresentation of the source of defendant's merchandise. Purchasers who by whim or design had chosen to patronise the trademark owner were duped into dealing with an impostor. The concept of customer confusion is thus the touchstone of traditional trademark theory.*¹²⁰

The confusion rationale remains the principal basis of trade mark liability and the test for trade mark infringement, whether under the Lanham Act or under the law of unfair competition, is whether a substantial number of ordinarily prudent purchasers are likely to be misled or confused as the source of the product featuring the infringing mark.¹²¹

Section 3 of the 1920 Act, the first federal statute affording a cause of action against the infringement of a registered trade mark, adopted the legal standard of deceit for the grant of relief both at law and in equity and specifically required the infringement complained of to amount to a false designation of origin.¹²²

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- 118. See p 35-38 *supra* regarding early trade mark protection in U.S. law.
 - 119. Schechter 338.
 - 120. Denicola 160.
 - 121. See Denicola 160 footnote 8.
 - 122. See Swann & Davis 283.

Prior to the Lanham Act, marks which were coined or words which in their primary meaning were not closely related to the goods were termed technical marks, as I have recorded. These fanciful or arbitrary marks were granted protection upon adoption and an infringement action was afforded the owner. More descriptive marks on the other hand were not afforded this protection as they did not qualify as technical marks. Where, however, these marks had generated a secondary meaning through use i.e. the owner was identified as the source of the goods by the mark, the common law afforded an unfair competition action against use of a mark in a way which would confuse consumers as to source.¹²³ It will have been noted that the Lanham Act was intended to re-enact the common law.¹²⁴

The technical distinctions concerning marks have largely fallen away in modern law but the confusion rationale remains the principal basis for liability and the dominant theme both under the common law and the Act.¹²⁵ Also the state statutes, apart from the anti-dilution provisions, merely state the confusion rationale.¹²⁶ Both common law and registered trade marks are infringed by "confusion, mistake or deception" under section 43(a) of the Act. Under section 32 the likelihood of deception (as opposed to actual deception which from an evidentiary point of view indicates a likelihood of deception) is the test for infringement of registered marks. Hence, both the traditional common law and statutory trade mark regimes in the U.S.A. view the issue of consumer confusion as the *sine qua non* of infringement.¹²⁷

The introduction during the first half of the twentieth century of the rule that use in relation to similar goods rather than only identical goods could constitute

123. Denicola 160-161.

124. See 418 *supra*.

125. Denicola 161.

126. See Denicola 161.

127. Denicola 162.

an infringement overcame the earlier approach which confined relief to situations of direct competition. It was perceived that confusion resulting from use was at the expense of the senior user's reputation and goodwill and the law therefore extended protection to goods sufficiently related to the goods of the complainant to give rise to confusion as to the source or sponsorship of the goods featuring the infringing mark. A diversion of trade was not, therefore, the sole rationale for protection and the owner's reputation (with reference to the quality of his goods) could be harmed even if no direct competition was taking place.¹²⁸

According to **Lunsford**, the mere adoption of a trade mark does not create rights at common law. A trade mark comes into being not through its selection but through its use in the market place to identify goods in trade. Invention of the mark and an intention to use it are immaterial.¹²⁹ According to this author trade mark rights depend on two things: priority of adoption and continued occupancy in the market place. Registration does not create rights but merely serves as public notice of the owner's claim to proprietorship.¹³⁰

Carter expresses a different view:

Under the Lanham Act, a firm that obtains registration of a mark suddenly becomes the mark's proprietor in markets that the firm has never entered and might indeed have no interest in entering. In other words, common law ownership of a mark in one part of the country can, through registration, become effective ownership of the mark in every part of the country. The effect of this approach is to give the mark's owner the benefit of more than has been invested, by treating the mark as carrying significance in markets where it has none. Under the TMRA, the deviation from the common law is greater still. Now, an

128. Denicola 163-164.

129. Lunsford 4 Georgia L R 322-340 [1970] 323. (But see the discussion regarding the TLRA enacted during 1988 at 414-415 *supra*.)

130. Lunsford 325.

- 4 *applicant can receive nationwide priority - effectively, common law ownership - in a mark that it has never used anywhere.*¹³¹

According to **Carter**, trade mark rights at common law vest in their owner by virtue of first user appropriation of the mark in a manner which clearly associates it with the user's goods. At common law the owner's rights are co-extensive with the good will the mark represents and this is aptly illustrated by the passing-off action.¹³² The action for common law trade mark infringement in respect of technical trade marks and trade marks with secondary meaning was gradually subsumed into the action for unfair competition.¹³³ **Carter** writes:

*Over the years, the common law has developed a number of doctrines, generally grouped under the heading "unfair competition", to protect the investment that the first user makes in convincing the public to associate quality goods with the mark. Despite decades of evolution, the workhorse of unfair competition remains the original common law action for "passing off" or "palming off".*¹³⁴

9. *EXTENDED PROTECTION UNDER COMMON LAW*

According to **Denicola**, trade mark owners continue to press for protection beyond traditional theory and the response of the courts thereto has been a willingness to grant relief by affording trade marks the status of property.¹³⁵

The notion of trade marks as property has, however, never prevailed and has remained subsidiary to notions of deception and commercial morality. The property right in a trade mark is still regarded as of a particular kind: an instrumentality to the protection of

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131. Carter 760.
 132. Carter 764.
 133. Carter 764.
 134. Carter 764.
 135. Denicola 159.

trade reputation and good will.¹³⁶

It is therefore a matter of convenience only to speak of the trade mark "owner". A mark is the symbol of the goodwill of an enterprise which makes it a valuable commercial asset capable of exploitation and assignment. Trade marks are not however owned. They are not property in the true sense because the right to exclude all others is not implied. Protection is only afforded when a real or immanent threat to goodwill arising out of consumer confusion comes about.¹³⁷ **Denicola** states:

*Traditional trademark doctrine does not establish the general right to exclude others implied by the property designation. Protection is normally limited to instances in which there is a threatened appropriation or injury to good will arising through consumer confusion. The danger in utilising a property conception of trademark, however, goes beyond its inadequacy as a descriptive theory. When adopted, it inevitably assumes a normative role, reducing a mode of analysis incapable of transcending doctrine, thus precluding rational consideration of competing social, economic, and occasionally constitutional interests.*¹³⁸

Nevertheless, trade mark law has sometimes ventured beyond the confines of the confusion model and the proponents of this approach have championed models allied to property rather than tort. In **Denicola's** view, however, the confusion standard is sufficiently supple to accommodate an expansion of a trade mark "owner's" rights. For example, in non-competing goods cases it has been accepted that public awareness of the trend toward corporate diversification engenders confusion in non-related goods cases and in subliminal confusion cases.¹³⁹

136. Denicola 164-165.

137. Denicola 165. This conclusions is open to doubt.

138. Denicola 165.

139. Denicola 166.

The case law regarding the application of the confusion standard in U.S. trade mark law is extensive and diverse. **Denicola** is of great assistance in categorising those cases which "undermine" the traditional confusion standard as follows:

- 9.1 where third parties and not purchasers are confused;
- 9.2 where intentional copying of descriptive marks is taken as proof of their distinctiveness;
- 9.3 where proof of confusion is not required insofar as the courts regard acceptance of the likelihood of expansion into new markets in related goods cases as being sufficient;
- 9.4 in the following category of cases, lip-service is paid to the confusion principle especially, -
 - 9.4.1 in confusion of "association" or "connection" cases where confusion is found in the mechanism of recognition i.e. the sight of a familiar trade mark calls to mind the trade mark owner and consumer recognition of this is equated with confusion of sponsorship or affiliation;
 - 9.4.2 where well-known trade marks are adopted without a likelihood of confusion. It is to be noted that it is common for relief to be given on the basis of public recognition of celebrated marks in the U.S.A.¹⁴⁰

The confusion standard is not always elastic enough, in my view, to resolve all of the categories of the above cases categorised by **Denicola** without a distorted or forced application thereof.

In the view of **Denicola**, the confusion rationale will protect and sustain the public recognition approach in confusion of association or connection cases if consumers believe that use of the marks in commerce indicate participation or approval of the trade mark owner. This perception on the part of the public would be reinforced by the courts protecting marks in these circumstances but would dissipate if the law were to allow third parties to exploit such marks. Also, in his view, the perception is reinforced by the way owners of

celebrated marks use them in modern times. The author is nevertheless constrained to accept that the cases which protect celebrated marks, despite rhetoric to the contrary, recognise an exclusive right to exploit the commercial value or appeal of the trade mark concerned. He concludes that this is a specific application of the tort of misappropriation to which **INS** gave rise. He finds that extrapolating from the **INS** case, a number of cases expressly prohibit appropriation of the merchandising value of trade marks. In this regard merchandising includes sales promotion, new product development, market and manufacture co-ordination, effective advertising and selling and the licencing of established images to foster sale of the product with which they are associated.¹⁴¹

A number of cases have challenged and struggled to keep trade mark rights within the traditional ambit (as the response in **Job's Daughters** to the **Boston Hockey** case aptly illustrates).¹⁴² Recognition of a protectable trade mark persona has also been eschewed.¹⁴³

In my view, the need for extended protection for trade marks to match developments in the market place continues to direct the law towards fuller recognition of property in trade marks beyond mere appurtenance to goodwill.

In their recent article, first published during 1994, **Swann & Davis** argue for protection of brand equity (which they define as the positive associations that comprise a brand) by affording the owner of the brand equitable relief founded in trespass upon property. They conclude: "We have come full cycle, and it is now time to restore the equity paradigm of a century ago".¹⁴⁴

141. Denicola 170-171.

142. See Battersby and Grimes 76 TMR 271-307 [1986] 271 and 69 TMR 431-459 [1969].

143. Denicola, 174-176. See also p 436-437 *infra*.

144. Swann & Davis 267, 299. For a discussion of the origin of the property approach to trade marks in equity see p29-31 *supra*.

10. MISAPPROPRIATION OF TRADE MARKS

Although the Lanham Act and the anti-dilution statutes provide the primary means for preventing trade mark infringement in the U.S.A., trade mark protection under the common law continues to develop alongside the statutes as observed in the preceding section.

In particular, the tort of misappropriation, the subject of conflicting approaches in the courts, has become relevant in the field of trade mark law.

The tort of misappropriation was introduced by the **INS** case.¹⁴⁵ According to **McCarthy**, there are three elements necessary to plead and prove a case of misappropriation, namely:

- 10.1 the plaintiff must have invested time, effort and money in bringing the matter misappropriated into being in such measure that a court is able to characterise the matter concerned a quasi-property right;
- 10.2 the quasi-property must have been appropriated by the defendant at little or no cost, leading to an inference by the court that the defendant's actions represent "reaping where it has not sown";
- 10.3 the misappropriation must injure the plaintiff.¹⁴⁶

Although misappropriation has been applied in trade mark cases it has not found general application therein and has not been particularly well received, generally.¹⁴⁷

There has been inconsistency and confusion in the application of the doctrine in the cases. According to

145. Discussed at p 386-390 *supra*.

146. McCarthy *Trademarks and Unfair Competition* 396.

147. See for instance the leading case of Metropolitan Opera Association v Wagner - Nichols Recorder Corp. (1950) 199 Misc 786, 101 NYS 2d 483, affd 279 App Div 632, 107 NYS Ld 795; see also Hanson & Walls 502-503.

Hanson & Walls, this has resulted from the courts seeking to apply the traditional likelihood of confusion rationale to matters which are essentially misappropriation cases.¹⁴⁸ In a number of cases the courts have refused to stretch traditional doctrines to prevent misappropriations and, in refusing to apply the tort, have permitted the misappropriation of goodwill associated with trade marks.¹⁴⁹

It seems clear to me that in misappropriation cases where no likelihood of confusion results the complainant will only succeed if the court adopts a property related approach. Insofar as the confusion standard is directed at protecting the public rather than the property rights of trade mark owner relief sought on the basis of traditional theory in misappropriation cases is bound to fail unless the court distorts the confusion standard to assist.

Hanson & Walls underline the difficulties regarding the **INS** doctrine of misappropriation when it is applied to trade mark cases. The judge made doctrine, it is said, is unreliable, has been inconsistently applied in general, has in instances been held inapplicable to trade mark law and may be preempted by federal law. Apart from the dissenting judgements of **Justices Holmes** and **Brandeis** in the case itself, some courts have held that later Supreme court decisions have overruled **INS**. It has also been suggested that **INS** might be part of the general common law which no longer exists after **Erie v Tompkins**.¹⁵⁰

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148. See *Hallmark Cards, Inc. v Hallmark Dodge, Inc.* 634 F Supp. 990,229 USPQ 882 (WD Mo 1986), by way of example; see also **Hanson & Walls** 504-505.
149. See **Hanson & Walls** 506-507; *The Toho Co., Ltd v Sears, Roebuck & Co.* 645 F2d. 788, 210 USPQ section 47 (CA 9 1981); *Universal City Studios, Inc. V Nintendo Co., Ltd.* 746 F 2d 112, 223 USPQ 1000 (CA 2 1984) affg 578 F Supp 911, 221 USPQ 991 (SDNY 1983).
150. **Hanson & Walls** 526-527; In 1938 the Supreme Court abrogated all federal common law in *Erie R.R. Co. v Tompkins* 304 U.S. 64(1938). See **Pattishall** 138 regarding the limited impact of this case on trade mark law.

It is, therefore, uncertain as to whether this form of common law unfair competition can be applied to trade marks, especially as a means of overcoming the traditional likelihood of confusion test in order to establish trade mark infringement. Its application to trade mark cases has been extremely limited and even those courts which purport to rely on misappropriation theory at the same time invoke also the more traditional grounds for a finding trade mark infringement as an added justification for granting relief.¹⁵¹

Denicola regards **INS** with a jaundiced eye. In his view, the **INS** court preserved economic incentives at the cost of injury to competition and public access to information. In a trade mark sense this translates into accepting the promotion of trade symbols as commodities. The author's criticism is clearly founded in his strong objections to viewing trade marks as property. Apart from resistance to any rationale based on recognising intrinsic rights in individual trade symbols, **Denicola** also raises economic arguments based upon trade marks comprising barriers to entry and limiting competition, and remedial arguments against the application of the misappropriation doctrine to trade marks.¹⁵²

It is interesting to note that American lawyers have constructed a number of trade mark related property-type interests in an endeavour to extend trade mark protection under the ambit of the forms of protection available in both statute and the traditional or extended common law. These interests include:

10.4 *The merchandising value of trade marks*

This interest lies in the exclusive right to exploit the commercial value or appeal of a trade mark.¹⁵³

151. See Hanson & Walls 527-529.

152. See Denicola 177-178.

153. See Denicola 171. See also footnote 142 p 432 *supra*.

10.5 "Trademark good will"

This is proposed by **Hanson & Walls** as relating to a new trade mark function which involves use of a trade mark in advertising and the like to develop an association linking the trade mark with a particular desirable status or social image.

*These associations have become central to the selling efforts of trademark owners who effectively use a developed association with a particular desirable image to enhance the appeal of their products or services. Once established, such associations create a type of intrinsic trademark value, herein termed "trademark good will".*¹⁵⁴

Although the authors regard the misappropriation theory of the common law of unfair competition as an ideal basis for the prohibition of the misappropriation of "trademark good will", the fact that the doctrine has not been well received generally and has enjoyed limited application in trade mark cases has led the authors to call for a federal trade mark misappropriation standard to be introduced into either of the infringement sections of the Lanham Act.¹⁵⁵

10.6 The trade mark persona

Winner defines the trade mark "persona" thus:

A trademarks "persona" is its identity, its quality of distinctiveness and uniqueness, quite apart from its function of identifying the source of goods and services. It is the "persona" of a trademark which makes people want to identify themselves with it, such as by wearing tee-shirts and displaying bumper stickers and posters bearing the mark. Often, this personal identification with the trademark's "persona" has only a tenuous connection with the goods and services upon which the trade

154. Hanson & Walls 480.

155. Hanson & Walls 531. (In the absence also of the anti-dilution doctrine and statutes providing satisfactory protection for trademark good will. See Hanson & Walls 515-526).

*mark was originally used. ... The trademark, of course, also remains attached to the original goods and services it was designed to promote.*¹⁵⁶

According to **Winner**, the trade mark persona is that aspect of the trade mark with which the consumer wishes to identify.¹⁵⁷ The right is postulated upon an analogy with the right of publicity afforded individuals under U.S. law. She regards this well accepted right of publicity as no more than an individual's trade mark rights in his or her own "persona".¹⁵⁸

In sum, **Winner** postulates that the right of publicity protects individual interests very closely analogous to rights in the trade mark persona. These rights are built up at large expense, time and creative effort. Both types are equally deserving of protection. The owners have a right of identity deserving protection as individuals. The law is developing towards increasing recognition of valuable property rights which owners have developed in their marks. Fad-value for instance, like secondary meaning, arises out of the owner's efforts and investments and the development of the law to protect such interests should continue.¹⁵⁹

10.7 Brand equity

The authors **Swann & Davis** propose -

It is the thesis of this article that the positive associations that comprise a brand - a brand's equity - can rise to the level of a property right entitled separately to protection irrespective of confusion or the existence of a dilution statute. Without more, exploitation of such associations as the principal catalyst for the sale of goods, particularly

156. Winner 71 TMR 193-214 [1981] 193.

157. Winner 194.

158. See Winner 196-198; See also Swann & Davis 281-282.

159. Winner 214. (Winner favours the dilution rationale for protecting the trade mark persona: Winner p204).

*in a manner that may damage brand equity, should invoke injunctive and monetary sanctions; uses even for the expression of ideas should be carefully delineated. The likelihood of "free ride" or "negative" associations with a mark should equal the likelihood of confusion as a basis for judicial scrutiny.*¹⁶⁰

It is the "free ride" aspect of the infringement of so-called brand equity which lends itself to possible protection under the misappropriation doctrine.

The authors suggest that:

*In both "free ride" and "negative" association actions, the common denominator has been the use of the infringed mark as the "triggering mechanism" for the sale of defendant's goods, and in each, the court was offended by "a brazen [often detrimental] ... effort by the defendant ... to capitalise on the good will created by the ... plaintiff". Given the current economic function and acceptance of trademarks, and recognition of their value and performance in the market place, it is submitted that such facts alone should mandate relief whether or not confusion is present.*¹⁶¹

Although not as boldly stated as the conclusion requires, in order to achieve this the authors would afford trade marks equitable relief as established property.¹⁶²

From the perspective of a civil law methodology, the U.S. common law of trade marks is characterised by casuistry and conflicting themes. It will be suggested in Part 6 of this work that the application of the principles of the doctrine of subjective rights can clarify, simplify and provide a remedy in the South African law in instances where the application of the tort of misappropriation might be called upon to afford relief in the U.S.A..

160. Swann & Davis 267-268.

161. Swann & Davis 269.

162. Swann & Davis 282-283.

11. **FRANK SCHECHTER**

Schechter is regarded as the father of dilution doctrine. The significance of his views and work, however, extend beyond this limitation. This is particularly so in relation to his historical researches and his challenge upon the primacy of origin theory.

Hiebert writes of **Schechter**:

*Undoubtedly the most influential explorer of the early development of trademarks in the United States was **Frank I. Schechter**. Although **Josef Kohler** and others had written on the subject before, **Schechter** was the first to organise a large volume of historical material into a systematic chronology, and was also the first to explore the linkages between the history of trademarks and the relationship of public and private trademark functions. **Schechter's** 1925 book, reinforced by a **Harvard Law Review** article two years later, did more to shape modern thinking on the development of trademarks than any other work before or since.*¹⁶³

In his famous article, **Schechter** points out that the protection afforded trade marks by the courts of the time reflected a perpetuation of certain historical preconceptions which determined that the primary function of a trade mark is to indicate the ownership and origin of the goods bearing it.¹⁶⁴

Although some four centuries previously a trade mark had indicated either the origin or ownership of the goods to which it was affixed, in modern times the source of goods

163. Hiebert *Parallel Importation* 12. See footnote 17 p 6 *supra* regarding the historical work and footnote 21 p 391 *supra* regarding the Harvard article. The references to the article hereunder are to the reprint thereof in 60TMR 1970.

164. Schechter 334.

bearing a well-known trade mark is seldom known to the consumer. Thus, to consider a trade mark as a badge of origin which informed the consumer of the actual source or origin goods is a fiction which should be discarded.¹⁶⁵ This fiction should, **Schechter** wrote, be replaced by the concept that a trade mark indicates a single, albeit anonymous source, which provides a motive for buying insofar as customers would conclude that goods with the same marks come from the accustomed maker. It does not matter that the source is not identified to the public.¹⁶⁶

This led **Schechter** to the "true functions of a trade mark" in regard to which he wrote:

*The true functions of the trademark are, then, to identify a product as satisfactory and thereby to stimulate further purchases by the consuming public. The fact that through his trademark the manufacturer or importer may "reach over the shoulder of the retailer" and across the latter's counter straight to the consumer cannot be over emphasised, for therein lies the key to any effective scheme of trade mark protection. To describe a trade mark merely as a symbol of good will, without recognising it in an agency for the actual creation and perpetuation of good will, ignores the most potent aspect of the nature of a trademark and that phase most in need of protection. To say that a trademark "is merely the visible manifestation of the more important business good will which is the 'property' to be protected against invasion" or that "the good-will is the substance, the trade-mark merely the shadow", does not accurately state the function of a trademark today and obscures the problem of its adequate protection.*¹⁶⁷

According to **Schechter**, the trade mark is not merely a symbol of business goodwill but the most important agent for creating goodwill. The trade mark imprints on the mind of the consumer a guarantee of satisfaction (albeit

165. Schechter 335-336.

166. Schechter 336-337.

167. Schechter 337.

an impersonal and anonymous one) and creates a desire for further satisfaction. The mark sells the goods and the more distinctive the mark the more effective its selling powers.¹⁶⁸

In other words, **Schechter** proposes that a distinctive trade mark has a selling power - a goodwill - of its own attaching to it apart from the goodwill of the business in respect of which the mark is used. It is the trade mark which itself provides the guarantee - not the often anonymous business behind it.

This is not to say, in my view, that all trade marks are to be denied an origin function or the function of symbolising a particular undertaking apart from the goodwill attaching to its business in whole or in part. In other words, a trade mark does not function solely in the selection process at the point of sale at the time of purchase. Trade marks of a particular kind can have a larger function, namely, to reduce to a single representative symbol an entire undertaking in all of its ramifications. A particular enterprise as a whole, especially if it is a large one, entails too much for it to be perceived and encompassed in all of its ramifications in a single thought, reducible to language. But it can be so conceived in symbolic thought if it is represented by the trade mark of the enterprise provides. Thus, a trade mark can function as a means through which an enterprise can be summarised and encapsulated in thought. As will be shown in the ultimate part of this work, trade marks have the capacity to perform multiple functions which should be protected in law if discernible in fact.¹⁶⁹

According to **Schechter**, restricting the function of a trade mark to indicating only source or origin leads to

168. Schechter 338.

169. See p 497-499 *infra*.

the faulty conclusion in law that trade marks cannot be protected against use of the same or similar mark except in relation to the goods in respect of which the complainant uses his mark. Confusion as to the source of two dissimilar products featuring matching marks is not the sole injury which can result from such use. To conclude this would ignore the fact that the creation and retention of custom and not the designation of source is the primary purpose of the modern trade mark. The preservation of the uniqueness or individuality of the trade mark is of paramount importance to its owner.¹⁷⁰

Schechter accepts the rule that a trade mark must be appurtenant to a going concern but denies that this should in any way set limits to the extent of protection of a trade mark when so appurtenant. Yet he does not eschew a limitation upon the protection of trade marks to the business or trade in connection with which it is employed. In his view, it is a matter of public policy that a trader who has developed a trade mark which then guarantees the quality of his wares is limited by his guarantee to such goods. In apparent conflict with this approach he advocates however that once a trade mark is established, its proprietor should have the scope to expand his trade thereunder naturally to other lines and fields of enterprise. He implies a universal and exclusive right to the trade mark without limitation thereof to its area of use.¹⁷¹

Swann and **Davis** point out that **Schechter** dismissed the equitable concept which regarded marks as property defensible against trespass. In this regard they state:

Perhaps, however, because trademarks had not then assumed fuller characteristics of property - they still served to "sell goods"; they were

170. Schechter 339. In modern US law trade marks are protected against use on dissimilar goods: see p 418-419 *supra*.

171. See Schechter 140-141.

*not goods in and of themselves salable apart from the products on which they appeared - **Schechter** did not promote a full return to the trespass - upon - property equity paradigm.*¹⁷²

Instead, **Schechter** proposed in regard to trade mark piracy cases where a diversion of custom was absent that:

*The real injury in all such cases can only be gauged in light of what has been said concerning the function of a trademark. It is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used. At the present time the courts, misconstruing, as we have pointed out above, the rule that a trademark can only be used as appurtenant to a going business, are unwilling to base their protection of trademarks squarely upon the principle that "the value of the plaintiff's symbol depended in large part upon its uniqueness".*¹⁷³

This approach diverted trade mark theorists from property approaches towards a focus upon an assimilation of existing legal and equitable standards under section 3 of the 1920 Act and led directly to the anti-dilution movement at both state and federal levels.¹⁷⁴

Parks writes:

***Schechter's** work is viewed as a cornerstone of modern trademark theory, having originated or contributed to such non-established concepts as the idea that unique and arbitrary marks are "stronger" than their descriptive counterparts, and therefore deserving of a broader scope of protection against junior users, the concept of anonymous source; and the theory of trademark dilution.*¹⁷⁵

172. See Swann and Davis 284.

173. Schechter 342. See footnote 128 p 299 *infra*.

174. See Swann and Davis 285.

175. Parks 82 TMR 531-561 [1992] 531.

According to **Parks**, also the germ for the guarantee or assurance function of trade marks is to be found in **Schechter's** work.¹⁷⁶

McClure proposes that **Schechter's** famous article comprised the furthest extension of formalist conceptualism in the trade mark law of the U.S.A.. He suggests that **Schechter's** theory of extended trade mark protection was derived from a view of trade marks as property. Both propositions are overstated.¹⁷⁷

12. DILUTION

Dilution has become the most established and developed new rationale for trade mark protection in the U.S.A.. It was first recognised in the **YALE** case in which **Judge Learned Hand** held that use of **Yale** for flashlights and batteries infringed the well-known **Yale** mark used for locks and keys.¹⁷⁸

Denicola agrees that **Schechter's** article furnished the first coherent case for the new dilution theory:

***Schechter's** thesis was straight forward; the chief value of a trademark is its "selling power". That power depends not only on the merits of the goods marketed under the trademark, but also upon the impression made by the mark itself. The ability to impart a favourable impression is dependent upon the "uniqueness" of the mark: the capacity of the mark to call to mind a particular product or, one may assume, a particular producer. The use of a similar mark by another vitiates this uniqueness by associating the mark with different products or producers. Such a loss of uniqueness or distinctiveness is often referred to as "dilution". The dilution rationale as conceived by **Schechter** was relatively simple: a unique or distinctive mark should*

176. See **Parks** 533. This function was, of course, known of marks from early times and became established in the medieval guild marks: see chapters 1 and 2.

177. See **McClure** 324.

178. **Yale Electric Corp. v Robertson** 26F.2d 972 (2d Ar 1928).

*be protected from loss of distinctiveness caused by the adoption of the mark by another. In holding that the use of **Tiffany's** by **Boston Lounge** diluted the distinctiveness of the New York jeweller's mark, one court characterised the nature of the injury as a "risk of an erosion of the public's identification of this very strong mark with the plaintiff alone, thus diminishing its distinctiveness, uniqueness, effectiveness, and prestigious connotations" **Schechter** himself restricted the theory to arbitrary or fanciful marks, although there is no apparent reason to distinguish such trademarks from descriptive marks that have acquired a degree of secondary meaning sufficient to evoke the image of a particular product or producer. The doctrine has found its way into state anti-dilution statutes in 25 states but has never been expressly incorporated into federal law. State protection is based upon the likelihood of injury to business reputation or dilution of the distinctive quality of a mark.¹⁷⁹*

Section 12 of The Model State Trademark Bill has, according to **Denicola**, had a significant influence on state legislative developments. It provides:

SECTION 12. INJURY TO BUSINESS REPUTATION : DILUTION

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.¹⁸⁰

Although not specifically so stated by **Schechter**, the dilution doctrine is a manifestation of the concept of trade marks as property in that it does not tie relief or protection to public consumers or require a showing of public confusion or injury.¹⁸¹

179. Denicola 182; He refers to *Tiffany & Co v Boston Club, Inc.* 231 F. Supp. 836, 844 (D Mars. 1964).

180. See Denicola 182; Swann and Davis 267; The states with dilution statutes are Alabama, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Iowa, Louisiana, Maine, Massachusetts, Missouri, Montana, Nebraska, New Hampshire, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Washington.

181. See Denicola 182-183.

According to **Denicola**, the economic arguments against trade mark protection apply with particular force to dilution theory. In his view, as there is no compelling consumer interest involved, dilution doctrine must necessarily rest entirely upon the sense of inequity which comes about in specific appropriations. This leaves dilution doctrine open to valid attack in the light of the overriding public interest in unrestrained competition.¹⁸²

An analysis of the relevant case law in the U.S.A. by **Denicola** shows that the doctrine has met with judicial resistance at federal level. The best prospects for advancement of the doctrine is afforded by the New York courts.¹⁸³

Under the state statutes, anti-dilution theory has developed the requirement of "a likelihood of injury to business reputation" as an addition to the basic theory, whilst the courts and academic writers have built out the concepts of "tarnishment" or "disparagement" of trade marks in relation to the doctrine. This introduces the threat of injury to either the commercial appeal of the trade mark concerned or the reputation of its owner as relevant to the application of the dilution statutes.¹⁸⁴

There is some confusion between tarnishment cases where a mark is used in an inappropriate and unwholesome manner or in a way which undermines the positive image of a mark, and certain dilution theory cases where tarnishments are directed more at impingements upon the quality of the defendant's product than at the selling power of the mark. This leads **Denicola** to suggest:

182. Denicola 183.

183. Denicola 183.

184. Denicola 185.

*Perhaps the chief deficiency evident in the development of the dilution theory to date, aside from its uncertain economic underpinnings, is the lack of thoughtful judicial analysis. Both decisions embracing and rejecting the doctrine too frequently offer little more than statutory paraphrasing. There has been little attempt to relate the facts of individual controversies to general principle. As a consequence the boundaries of both the loss of distinctiveness and tarnishment rationales remain largely uncharted, and even the relationship between the two concepts has not been significantly explored.*¹⁸⁵

According to **Denicola**, the courts have rarely gone beyond testing whether the allegedly infringed mark is sufficiently distinctive to suffer dilution, seldom considering the factual question as to whether and how a loss of distinctiveness might have occurred. This has meant that "loss of distinctiveness" has remained unclear and undefined as a concept.¹⁸⁶

On the positive side, the dilution concept affords trade marks protection beyond the likelihood of confusion standard when granting protection to well recognised

185. Denicola 187. This does not mean that the doctrine has generated little writing. Indeed: "The doctrine has been a boon to law review editors". (per Denicola 182 footnote 108). Useful contributions include Anon 54 TMR 184-199 [1964]; Pattishall 67 TMR 607-624 [1977]; Mostert, 17 11C 80-95 (1986); Pattishall 74 TMR 289-310 (1984); Getzoff Trademark World, May 1992 40-47; Kera Trademark World June 1992 38-43. This author suggests that anti-dilution protection would become rational, reasonable and just if there were a federal statute requiring a mark to be registered on a special register of the PTMO in order to be eligible for anti-dilution protection; Bannon 82 TMR 570-599 [1992]; Leimer Trademark World, November 1993 15-19. This author suggests that in dilution by tarnishment, the value of the owner's mark is diluted not only by loss of distinctiveness but also loss of positive association value. Most dilution statutes only apply to marks that are of distinctive quality and the courts are not in agreement in regard thereto. The dilution statutes do not require wrongful intent and the courts are mostly silent on the point. Welkowitz 44 Vanderbilt Law Review 531-588 [1991]. 83 TMR 1993 is devoted entirely to dilution doctrine. I have found Denicola's comments the most cogent of the available sources.

186. Denicola 189.

marks against use which would tarnish, degrade or delude the distinctive quality of the mark. The underlying rationale of the doctrine is that its value gradually diminishes as a result of unauthorised use by another. In particular, the public identifies a very strong mark with its established source. This identification is eroded by such unauthorised use, so diminishing its distinctiveness, uniqueness, effectiveness, and prestigious connotations. The resultant diminution in value of the mark is an invasion of the owner's property right in the mark.¹⁸⁷

Hanson & Walls point out that apart from the states of Idaho and Montana, state dilution statutes require a trade mark to have a certain level of fame or distinctiveness (to be "strong" or "well-known" marks) before anti-dilution protection will be afforded. According to them, the statutes protect both source and quality interests when eschewing detractions from the identification of the mark with source by means of actions which give rise to a dilution. The statutes do not protect against actions which do not have a dilutive effect upon the mark.¹⁸⁸

Despite that no such limitations appear in the language of the anti-dilution statutes, the courts have often applied the likelihood of confusion standard in dilution cases, as **Denicola** has observed, and have refused to find dilution unless the standard is satisfied. This resort to the confusion standard then renders the provisions of the statute concerned superfluous.¹⁸⁹

In this regard **Pattishall** states the following:

187. Hanson & Walls 501.

188. Hanson & Walls 501-502.

189. Hanson & Walls 516.

*Each statute provides for relief notwithstanding likelihood of confusion, yet numerous courts, especially those in New York, have stated stubbornly and illogically that relief from dilution requires evidence of likelihood of confusion. Other courts have held with similar illogic that when confusion is present the statutes are inoperative. Still others have held that since the statutes provide for relief in the absence of competition between the parties, if the parties are in fact competitive, the statute is inoperative. Thus the courts conclude that only the traditional confusion doctrine is applicable. These holdings seem not only to defy the plain terms of the statutes, but also to confound common sense.*¹⁹⁰

In my view this approach on the part of the courts rather indicates a want of confidence in the doctrine leading to a resort to the traditional confusion standard. The doctrine breaks with traditional theory and has not developed clear principles which the courts have found sufficiently amenable to apply.

In critical mode, **Hanson & Walls** raise the following objections to the anti-dilution laws found in the **U.S.A.:**

- 12.1 The laws grant broad protection without balancing competing interests. The anti-dilution statutes give the trade mark owner a virtual monopoly over use of his mark:

*"Since any effective use of the mark will develop associations to something other than the original product, any use may theoretically be enjoined. This gives the trademark holder even greater rights than the owner of a copyright".*¹⁹¹

- 12.2 Anti-dilution law is uncertain. The theory was proposed to protect famous marks. The statutes however refer to protecting the "distinctive quality" of marks. It is not clear what level of distinctiveness is required for

190. Pattishall 67 TMR 607-624 [1977] 624-625.

191. Hanson & Walls 522-523.

protection and some courts have found that a showing of secondary meaning is sufficient. This does certainly not correlate with "fame".¹⁹² Further uncertainty results from the fact that "dilution" is not defined and there is no indication as to the threshold of dilution which must be achieved prior to relief being granted.¹⁹³

- 12.3 Not all states have anti-dilution statutes and national relief cannot be obtained on the basis of dilution.
- 12.4 Similarly, insofar as the anti-dilution laws operate at state level only, proper protection of national trade marks cannot be obtained on the basis of a dilution.
- 12.5 Different states apply different interpretations to anti-dilution statutes and there is, therefore, no guarantee of consistent state by state application of anti-dilution principles. Variations in the laws and their application from state to state results in a "checkerboard of jurisprudence" which disables an enterprise seeking to work out a uniform marketing plan which is to be applied in a number of states.¹⁹⁴
- 12.6 The state statutes have been preempted by the Lanham Act.¹⁹⁵
- 12.7 Despite the absence of limiting language in the anti-dilution statutes the courts have often applied a likelihood of confusion standard in dilution matters and have refused to find dilution unless the standard is satisfied. This gloss on the statutes renders them superfluous in effect.

It is unfortunate that anti-dilution law in the U.S.A. does not feature clear definitions and guidelines and is characterised by disputes and uncertainties.

192. Hanson & Walls 524.

193. Hanson & Walls 525.

194. Hanson & Walls 526.

195. Hanson & Walls 517-520.

In my view the concept that a trade mark can lose distinctiveness through dilutive conduct is sound.

In South Africa, the doctrine has been recently introduced under the Trade Marks Act No. 194 of 1993 which came into force on 1 May 1995. The source of the doctrine in the South African statute is not however derived from the U.S.A. but is based upon the protection of well-known marks as contemplated by the Directive.¹⁹⁶

In chapter 16, I suggest that in addition to the statutory trade mark infringement actions, recognition of the subjective right to a trade mark as property means that an impingement upon any of its functions is actionable also at common law. Insofar as dilutive conduct can be an unlawful impingement upon trade mark functioning, dilution theory and law in the U.S.A. will provide a rich source for South African jurists to consider in the latter context.

13. *IN SUM*

The central debate in U.S. trade mark law concerns trade marks as property and it is upon this theme that I have concentrated the chapter. The jurisprudential conflict between formalism and realism, the monopoly versus competition debate in trade mark economics in relation to whether trade marks obstruct or enhance competition, the endeavour to extend protection to trade marks beyond the confines of the Lanham Act and the common law through extensions to the latter and under dilution theory, all turn on property theory. The crisp question remains whether trade marks are merely appurtenant to the goodwill of the business of an enterprise or to aspects of that business - or whether trade marks are property or have inherent attributes of property. The law regarding assignment and licensing of trade marks

196. Council Directive 89/104 EEC : OJ 140, 11.2. 1989. See p 347-357 *supra* regarding the Directive.

afford a neat illustration of the prevailing attitude of the whole, namely entrenched resistance to the concept of trade marks as property.

The extended protection sought under the common law - particularly under the tort of misappropriation and other quasi-property approaches is the result of the restrictive effect of the predominance of the confusion standard with its emphasis upon preventing public confusion as a protectable interest above that of the property interests of the trade mark owner.

The sophistication of large modern free markets and trade mark economics clearly require more than a rigid adherence to protecting only the origin function of trade marks. The debate regarding the economics of protecting trade marks in turn illustrates the sophistication trade marks have obtained in modern markets. This reveals the essential need for protecting new forms of trade mark functioning, such as to inform and distinguish beyond reference to origin alone. The modern trade mark distinguishes also variations in unobservable product features and qualities and communicates information of this kind and other kinds which is encapsulated in the trade mark. To deny legal recognition to such important trade mark phenomena in order to prevent monopolies is questionable in a modern system which has other means of regulating competition policy.

The U.S. trade mark system under the Lanham Act, common law and dilution statutes is substantially different to the systems of the United Kingdom and South Africa - both prior to and after the new statutes in the latter jurisdictions. U.S. authority must, therefore, be approached with circumspection before it is applied locally.

U.S. trade mark law, therefore, better serves as a field of comparative study by South African jurists than as part of the legal-historical makeup of South African

trade mark law - despite reference to U.S. authority in the South African courts from time to time.

Nevertheless, the continuous rigour of the academic and judicial endeavour to find solutions and to innovate - epitomised by Frank Schechter - provides a rich harvest of ideas which are not always jurisdiction bound.

In relation to the debate concerning property in trade marks the civil law based jurist is able to apply the concept of the doctrine of rights to the problem and, in my view, thereby arrive at an all-embracing solution which affords all aspects of trade mark functioning protection. The concluding part of the work which follows is directed thereat.

PART 6

*TRADE MARK FUNCTIONS, THE SUBJECTIVE RIGHT TO
TRADE MARKS AND THE NEW LAW*

*CHAPTER 15**TRADE MARK FUNCTIONS*

As a necessary and immediate prelude to the conclusions and submissions of the final chapter of this work specific comment regarding the functions which trade marks perform now becomes essential.

This chapter reflects upon trade marks as they function in the market-place and considers the treatment afforded trade mark functions in the jurisdictions of particular relevance to this work - South Africa, the United Kingdom, the U.S.A. and the EEC.

The general postulates set out at the commencement of chapter 14, which concern the trade mark law of the U.S.A., are of general application and indicate that there is a universal need for trade mark law to provide a sound and satisfactory legal basis upon which all the multiple functions of trade marks can be protected.

It is my thesis (which is amplified hereafter) that trade mark law should enable the holder of trade mark rights to assert in the market-place the full spectrum of functions which the trade mark concerned fulfils without interference or pre-emption. This implies that interference with or pre-emption of trade mark functions infringes the trade mark right. The functions trade marks perform are therefore central to an enquiry regarding the nature of trade mark rights.

In general, the law has been slow to recognise and protect new trade mark functions. In remaining hidebound to established functional theory the law has applied forced constructions and fictions to the new

problems of trade mark law in order to ally the solutions arrived at to established models. This has underlined the inadequacy of traditional approaches and provided unconvincing solutions.

The functions which trade marks perform in the free-market economies of the jurisdictions we have mentioned are the same. Trade mark functions are universal although the means adopted in law to protect them can and does often differ from system to system.

The views of the prominent writers vary in regard to which trade mark functions have been established, which trade mark functions are to be recognised and which trade mark functions are to be afforded legal protection. In many instances, differences arise because of the nomenclature adopted and the selection of different emphases. Different aspects of essentially the same function are given prominence and the same species of function is then given a different name or label by different writers, often according to arbitrary and subjective criteria. Similarly, groups of functions are classified and labelled and it is then suggested that legal protection should be denied to certain of the categories. The classification "economic" and "legal" functions, which will be referred to later, affords the most important example of this.

The want of uniformity regarding trade mark functions amongst the writers, as is often the case also in the courts, is discernible both within particular jurisdictions as well as from jurisdiction to jurisdiction.

This work requires the adoption of an approach to trade mark functioning which is capable of general application. In order to arrive at the postulates regarding trade mark functioning which are submitted at

the close of this chapter as universally applicable, a consideration of various views and sources concerning trade mark functions - beyond the historical and jurisdictional confines of the earlier chapters - is now undertaken.

The stuff of this chapter is therefore the views of writers from different eras evidencing opinions of different hue, the contributing elements of policy, legal history and the jurisprudence of the courts of different jurisdictions. In the precipitate of all of this is revealed, I submit, a model of trade mark functioning capable of general application in trade mark law.

According to **Gielen**, advertising and marketing research has revealed that trade mark functioning has switched emphasis from rational to non-rational considerations where emotional and non-conscious aspects predominate. It will be seen that, in the main, trade mark law must still respond satisfactorily to the latter aspects of trade mark functioning.¹

1. *THE TRADITIONAL APPROACH - LORD MACKENZIE STUART*²

Addressing the Institute of Trade Mark Agents in London on 4 November 1975 **Lord MacKenzie Stuart**, judge of the ECJ, observed that the economic character of a trade mark had changed since the last century. It no longer tended to be seen as merely an adjunct to goods but as an item of intangible property in its own right with an independent value and capacity to produce its own economic impact. In many cases the economic value of a trade mark to its owner was the accumulated goodwill

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1. See *Gielen Proefschrift* 10-27, 310-311. This work comprises a doctoral thesis presented to the Rijks Universiteit te Utrecht published during 1991. The work deals with a number of topics concerning trade marks from the perspective of Benelux and EC law. The author is a leading practitioner in the field. Chapter II concerns the function of trade marks.
 2. Lord MacKenzie Stuart IIC Vol 7 (1976) 27-38. Substantial changes were to take place in the following twenty years.

represented by advertising expenditure. The transferability of that goodwill for value had become a matter of major commercial importance.³

He continued to say that the owner of a trade mark was always able to invoke the law to stop a counterfeit from circulating. This right was, however, essentially a negative one and protected what had been labelled the origin function of a trade mark.⁴

In many cases the owner of a trade mark was, however, seeking to distinguish his trade mark in a positive sense - to create a preference for his product in the public mind. This revealed the guarantee function as well as a suggestive or publicity function of the trade mark (insofar as it served to advertise the product).⁵

Lord MacKenzie Stuart then poses the question as to whether the origin function has only limited value, thus:

*As I have said there is no doubt that the law protects and from the beginning intended to protect the negative aspect or origin function. Common sense and equity, in the broadest sense of the word, require that a manufacturer or regular trader in goods of a certain type should be protected against the counterfeit and that whether the falsity be intentional or otherwise. In fact the law goes further. It protects the holder of the mark even when his connection with the product is of the most tenuous save that he is the registered holder of the mark. There is no counter obligation upon the holder of the mark to disclose himself. In England, at least, the goods may be manufactured by A, retailed exclusively by B while the mark is registered in the name of C. There is no obligation upon C to stand up and publicly to be counted - there is no obligation to announce that identical, but unbranded, goods may be available more cheaply elsewhere, say under the mark of a supermarket chain. Looked at from the point of view of the public, may it not be said that the origin function has only a limited value?*⁶

3. Lord MacKenzie Stuart 29-30.

4. Lord MacKenzie Stuart 31.

5. Lord MacKenzie Stuart 31.

6. Lord MacKenzie Stuart 31.

Nevertheless, His Lordship dismisses legal protection of the guarantee and advertising functions of trade marks in the following terms:

It is essential to distinguish between the basic right which trade mark law protects, the right not to have another's goods passed off as your own, and what I may, with no disrespect, call the adventitious aspects of a trade mark as suggestive of quality and as promoting the sale of the branded products. If it is the protection of those rights which you seek, you must ask yourselves whether you can justify your approach in terms of trade mark law or whether it is for the law under some other aspect to intervene.⁷

The central question is ultimately this:

Thus in any analysis you must again, or so it seems to me, always face the question "Am I seeking to vindicate a true function of the mark - if indeed there be more than one - or am I under the guise of invoking trade mark law seeking to protect not the mark but a system of marketing?"⁸

I proceed to consider the various trade mark functions from the perspective of their historical development and the approach thereto in the jurisdictions of relevance, seeking in so doing, an appropriate answer to **Lord MacKenzie Stuart's** question.

2. **THE IDENTIFICATION AND DISTINGUISHING FUNCTIONS**

As I have already observed and as will be seen in the paragraphs which follow, the conception that a trade mark indicates the source or origin of the product which features it - the origin function of trade marks - still maintains a dominant position in trade mark law.

However, before a mark can indicate a link between particular products and a source, the mark must identify

7. Lord MacKenzie Stuart 31.

8. Lord MacKenzie Stuart 34. Hereunder referred to as "Lord MacKenzie Stuart's question."

the product and must - in order to qualify as a trade mark - have the capability of distinguishing such products from products emanating elsewhere. The ability required of a trade mark to distinguish goods and services is fundamental to trade mark law. Earlier chapters have shown the presence of this requirement - known as the requirement of distinctiveness - from earliest times in the jurisdictions of relevance. Earlier chapters have also shown the evolution of the requirement in the modern trade mark law of Europe and the United Kingdom to the quintessential element of the concept and definition of "trade mark".⁹

It might be said that in distinguishing the goods or services of one enterprise or undertaking from another, a trade mark indicates the source of the products marked. In my view, this construction does not serve in all instances. A specific trade mark might indicate source or origin but need not necessarily do so. It must, however, in all instances be able to distinguish a particular product from other products without a reference to source being essential. It is essential that the mark is able to perform a distinguishing function. It follows that a trade mark must invariably fulfil a distinguishing function otherwise the mark concerned cannot qualify as a trade mark or function as such. Hence the distinguishing function is an invariable trade mark function.

The question arises whether the identification function is an invariable trade mark function - in other words must the identification function and distinguishing function always be simultaneously present? Put another way, is the identification function an aspect of the distinguishing function i.e. must a product be identified (rather than merely "seen") to be distinguished?

9. See p 51-57, 107-121, 256-260, 408-411 *supra*. See also p 583-593 *infra*. The distinguishing function was specifically recognized in South Africa under the 1983 Act, as well: see p 254-255 *supra*.

As a trade mark function, the concept of identification of the product featuring the mark must, in my view, entail a recognition of the product featuring the mark pursuant to an encounter with the mark somewhere previously.

In order to distinguish product, on the other hand, a mark does not necessarily have to be known to the consumer or recognised from a prior encounter. The following example serves to illustrate the point.

A consumer must choose between a product marked with trade mark A and a similar product marked with trade mark B placed alongside each other on the shelf of a supermarket. The consumer knows trade mark A from advertising and previous consumption. Trade mark A has therefore enabled him to identify product A (the identification function) and to distinguish it from product B (the distinguishing function). The mark B, which the consumer has not encountered before and which is unknown to him, has however enabled the consumer to distinguish product B from product A, which the consumer has identified. This consumer would not have identified product B from trade mark B if a single can of product B stood on the shelf alone. In both instances, in "identifying" product B as "not product A", trade mark B has not fulfilled an identification function but rather a distinguishing function.

According to **Gielen**, a mark by means of the identification function enables both the purchaser and the seller of the product to identify it. A product - meaning a good or service - must have a name in the nature of an identification sign as distinct from its generic name. A product without a sign of this kind cannot be identified by either the purchaser or the seller. A product bearing a trade mark can however be identified and this process indicates the identification function of a trade mark. A mark (word mark or device) is, therefore, a sign by means of which the seller of a

product and the consumer identifies it in the market-place. The trade mark serves as the commercial name (as distinct from the generic name) of the product which enables its rational identification.¹⁰

Gielen has no objection to the term identification function provided it means the identification of a product *per se*. Similarly, he does not object to the concept of the distinguishing function provided it means distinguishing between products *strictu sensu* and not distinguishing with reference to product source. He recognises that a trade mark performs a distinguishing function but eschews use of the term in those instances where origin theory is incorporated therein, because he does not ascribe the function of indicating origin to the modern trade mark.¹¹

In a strict sense, therefore, the identification and distinguishing functions can be regarded as distinct and it is possible to sever the identification function from the distinguishing function of a particular mark. In most instances, however, these functions appear to me to operate in tandem.

Consider the following example by way of elucidation. Two undertakings which sell petroleum to consumers obtain the product from the same source. The first undertaking uses trade mark A and the second undertaking uses trade mark B. Both trade marks can identify the petroleum products if known. (The identification function *strictu sensu*). That a consumer might distinguish between product A and product B on the basis of a reference to the undertaking behind either of the marks does not necessarily found the conclusion that in all cases a consumer must identify or know the undertaking concerned before he can distinguish product A from product B.

10. Gielen *Proefschrift* 10-11.

11. See Gielen *Proefschrift* 17, 310-311.

Modern technology and the increasingly impersonal nature of modern commerce has rendered it more and more difficult for a personal connection to be maintained between a trade mark and the trade mark holder. Product identification might take place through a connection or association with origin but this is not the absolute rule.

According to **Hertzog**, the history of trade marks in the socio-economic context indicates a shift in emphasis away from origin theory to the function of identification.¹²

Diamond analyses a trade mark by reducing it to three different functions of which the "identification function", by which he means the "distinguishing function" or a mix of such functions, is the first.¹³

He writes:

*First is the identification function. A trademark is the device by which a consumer distinguishes among similar goods or services offered by more than one manufacturer. It bridges the gap between the consumer and the manufacturer, a gap that tends to grow wider as production units increase in size, distribution extends to more distant markets, and self-service retailing takes the consumer even farther away from the source of supply.*¹⁴

It is clear from **Hertzog's** review of the general statutory provisions which deal with the basic concept of a trade mark in terms of its function in the jurisdictions of Germany, France, the United Kingdom, South Africa, the U.S.A and EEC trade mark law, that all these systems regard the concept of distinctiveness central.¹⁵ In terms of functional theory this renders

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12. Hertzog *Functional Theory* 168. Hertzog's work, published in 1979, comprises a doctoral thesis presented to the University of Stellenbosch during that year. It is an extensive discourse upon trade mark functional theory.
 13. Diamond 65 TMR265-290 (1975) 289. The other functions he mentions are the guarantee function and the advertising function.
 14. Diamond 289.

the distinguishing function of trade marks central.

Thus, **Mathély** regards the distinguishing function as the primary and natural function of a trade mark - a view to which I subscribe.¹⁶ Similarly **Baumbach** holds that the distinguishing function reflects the essence of a trade mark - a contention which is clearly valid.¹⁷

Hertzog writes as follows regarding the distinguishing function:

*The function of a trade mark which has been the most pervasive, is the so-called "distinction" function. This function, it is suggested, is wide enough to make allowance for distinction in terms of either origin, quality or any other specific factor which may have a role to play in any specific practical situation. The fundamental notion of this function is merely that the trade mark should be able to distinguish one specific product from another and it does not impose on the trade mark any further function such as pointing to an origin or indicating a quality or evoking a certain psychological reaction. Because of this, it is submitted that the heeding of any or all of these facts need not necessarily mean an encroachment upon the basic distinction function. In fact, it may only serve to point out the efficacy of the legal function which is wide enough to do justice to any of the manifold practical functions which a trade mark may fulfil.*¹⁸

By the distinguishing function *strictu sensu* is meant the function of distinguishing the trade marked product (goods or services) from other product (marked or unmarked and whether similar or dissimilar). Thus, a trade mark may even serve to distinguish products which may derive from the same source.¹⁹

Where a trade marked product is unique in that it faces no competing product in the market-place (in the sense that there is no product in existence akin thereto) it

16. Mathély *Le droit Francais des signes distinctifs* 11 (as discussed by Gielen *Proefschrift* 17).

17. Baumbach *Warenzeichenrecht* 25 (as discussed by Gielen *Proefschrift* 17).

18. Hertzog *Functional Theory* 170 (author's emphasis).

19. Hertzog *Functional Theory* 168.

might be said that the trade mark it features serves an identification function only. It must however be observed that the trade mark concerned performs a distinguishing function, nevertheless, in that it serves as a badge of the uniqueness of the product as distinct from other products which bear no resemblance to the unique product or which have no like features.

In sum, the identifying and distinguishing function of trade marks are closely linked yet are capable of separate scrutiny if needs be. Particularly, the distinguishing function is distinguishable from all other trade mark functions in that it is the function which a trade mark must invariably be capable of performing if the mark concerned is to be able to function as a trade mark at all. In this sense, the distinguishing function is an invariable trade mark function distinct from all other trade mark functions which need not always be present and which are, therefore, variable.

3. *THE ORIGIN FUNCTION*

It will be noted from the paragraphs which follow that the so-called origin function of trade marks is for the most part regarded as the primary trade mark function to which all other functions are subservient. Origin theory is considered historically and critically below.

3.1 *Early History*

From earliest times certain marks upon goods - although not trade marks - functioned in a way which anticipated the functioning of modern trade marks.²⁰ Branding of livestock and other goods enabled their owner to identify them and in so doing to distinguish goods bearing the brand from the goods of others.²¹ These

20. Such as to identify and distinguish products, to indicate their origin or source and their quality.

21. See p 1-2 *supra*.

marks indicated ownership. Later, marks such as Middle Eastern stone cutter's marks and marks such as Roman tile, masonry, cheese and wine marks indicated the origin of the goods bearing them²² as did a number of medieval marks.²³ Some of these marks came to be associated also with the quality of the goods upon which they appeared and were regarded as assets.²⁴

It is noteworthy that the functions which marks upon goods performed during the Middle Ages became discernible again when marks began to take on the features of modern trade marks at the time of the Industrial Revolution.

It will be recalled that the merchants personal and proprietary marks facilitated proof of ownership of the goods which featured them and later developed the incidental function of indicating the origin or source thereof. Production marks on the other hand indicated the source or origin of the goods - initially so as to police quality - but later developed the incidental function of assuring quality. Often the same mark served both as merchant mark and production mark.²⁵

It must immediately be said, however, that when considering trade mark functions from a legal/historical perspective the origin theory comprises the axis about which everything turns. In this regard trade mark law never departs from its own origins, which as earlier chapters have shown, was to guard against the appropriation of the trade mark of another in order to pass off product. The trade mark functions which the law has recognised have thus been confined to the function of indicating origin or source of product and functions reducible thereto - including the assurance function - even if by way of forced construction or the application of fictions.

22. See p 2-4 *supra*.

23. See p 4-18 *supra*.

24. See p 3-4, 9-19 *supra*.

25. See p 7 - 11, 18 - 19 *supra*. See also Schechter *Historical Foundations* 21.

3.2 *The U.S.A.*

In the early law of the U.S.A. and as late as 1860, trade marks were regarded as indicating the name of the manufacturer.²⁶

In the first trade identity case decided by the U.S. Supreme Court, a geographical name was denied validity as a trade mark because it could not point to the personal origin or ownership of the articles of trade to which it had been applied.²⁷

Thereafter, it became a formalistic method of determining the validity of trade marks to establish whether the mark could point distinctively to the origin or ownership of the goods concerned.²⁸

Thus, in the leading case of **Hanover Star Milling Co. v Metcalf** the "primary and proper function" of a trade mark was held to be that of identifying origin or ownership of the goods to which the mark was affixed.²⁹

Schechter observes in his doctoral thesis that this early definition of trade mark functions was in unvarying use throughout the formative period of trade mark law to the time of his writing (circa 1925) and although at that time it was no longer all-encompassing, it was sound from a historical perspective in that it described the two relations which marks implied from the inception of trade mark law.³⁰ As **Schechter** observes, this judicial view of alternative trade mark functions rested upon the uses marks were put to during the Middle Ages.³¹

26. See p 37 *supra*.

27. *Canal Co v Clark* 80 U.S. (13 Wall) 311 (1871). See McClure 69 TMR 305 - 306 (1979) 317.

28. See McClure 318.

29. *Hanover Star Milling Co v Metcalf* 240 U.S. 403, 413 (1916). See p 81 - 83 *supra* for a discussion of this case.

30. Schechter *Historical Foundations* 19. See p 6 footnote 17 regarding this work.

31. Schechter *Historical Foundations* 20.

Hertzog observes that a strict adherence to the concrete origin theory prevailed in the early trade mark law of the U.S.A. and was still discernible during the mid-nineteenth century. A mark which did not indicate the owner or manufacturer of the wares featuring it would not be protected as a trade mark and third parties could use it in connection with the same goods.³² However, from 1920 onwards some American writers began to observe that in identifying the source of the goods, a trade mark was in fact distinguishing those goods from goods emanating from a different source i.e. the mark was performing a distinguishing function.³³

In his foreword to **Schechter's** work, **Monroe Smith** draws attention to the earliest functions of trade marks and their evolution from indicia of ownership to objects of property.³⁴ He points out that the liability of the maker of inferior goods identified by the medieval mark placed thereon was subsequently supplemented with liability visited also upon a maker who used a recognised mark deceptively. In both cases the evil protected against was fraud on the public. The law was tardy in recognising protection of a mark based upon its status as an asset. Even when marks took on the colour of property in becoming transferable and transmissible the law remained reluctant to protect property of this kind and remedies in trade marks remained based upon fraud or constructive fraud. Anti-monopoly sentiment in the U.S.A. further prevented the development of remedies protecting the value of a trade mark to its rightful user.³⁵

According to **Schechter**, many courts were unable to free themselves from historical preconceptions regarding the function of trade marks, and legal evolution did not keep

32. **Hertzog** *Functional Theory* 34. See p 469 *infra* regarding concrete origin theory.

33. See **Hertzog** *Functional Theory* 37.

34. See p x of the foreword by **Monroe Smith**.

35. See p x - x i of the foreword.

pace as the functions of trade marks changed. It was, however, no longer satisfactory for courts to say that a trade mark indicated origin or ownership. To do so ignored current realities which were that to the consuming public, a trade mark could not be said to indicate the specific ownership or origin of the goods to which it was affixed. He stated:

*Given a popular product with an international or at any rate a consumption through the complicated channels of modern distribution, a knowledge of its specific source can by no means generally be attributed to those who purchase it. The very courts that still describe trade-marks as symbols indicating "origin or ownership" at the same time concede the indifference of the public to the actual physical origin or ownership of the goods in question.*³⁶

Even though it did not take the courts long to realise that a trade mark also fulfilled a quality function, the judges strove to preserve historical definitions intact, whilst at the same time seeking to keep pace with the demands of modern trade mechanisms. As a result, the courts were compelled to strain interpretations of "origin and ownership" to the utmost.³⁷ Writing in the context of modern trade mark law in the U.S.A., **McCarthy** states that during the early development of trade mark law, trade marks were thought to represent to the customer only the physical source or origin of the product or service in connection with which the mark was used. From that beginning, origin theory subsequently developed an expectation on the part of the consumer that all goods featuring the same mark emanate from a single anonymous source. The source need not be known to the buyer by name, and in that a buyer does not know or care about the name of the corporation making or distributing the product, can be anonymous. A buyer is

36. Schechter *Historical Foundations* 147 - 148.

37. Schechter *Historical Foundations* 149.

however entitled to assume that all products bearing the same trade mark are somehow linked with or sponsored by the single anonymous source.³⁸

It will be clear from the foregoing that the origin theory is amenable to different interpretations. Where the trade mark is required to refer to a specific or known source this is known as the concrete origin theory. Where the mark refers to an unknown or anonymous source this is known as the abstract origin theory - which itself discloses variations amongst its proponents.³⁹

3.3 *United Kingdom*

Sebastian - writing about English law in the main in a work published in 1899 - regards the primary function of a trade mark to provide a satisfactory assurance of the make and quality of the article bought by a purchaser. It is on the faith of the mark being genuine and representing a quality equal to that which the purchaser previously found under a similar mark which brings the purchaser to make his purchase. Although **Sebastian** regards the quality function as primary he requires a trade mark to perform a dual function. The trade mark must also indicate either the origin of manufacture or origin in the wider sense of indicating that the goods have passed through the hands of the person applying the mark to the goods on their way to the market. Thus, the source indicated can be trade hands through which the goods passed on the way to the market or a source which dealt with the goods on the way. **Sebastian** observes that use of a trade mark is not confined to designation of the maker of the article to which the trade mark is attached although this is the usual case. A trade mark might also indicate some other person who has expended labour on the article so that it owes some portion of its

38. McCarthy *Trademarks and Unfair Competition* 109 - 111.

39. See Hertzog *Functional Theory* 11.

value to the affixer of the trade mark. Hence, it may include a selector of the goods or the vendor of natural products who alone has the opportunity of procuring the goods.⁴⁰

The modern law of trade marks in the United Kingdom both under the 1939 and the 1994 Acts retains the emphasis on origin theory.

Under the 1939 Act, a trade mark in indicating origin protected the owner of the mark in his trade as well as consumers - in the latter case by providing an assurance of quality through the revelation of origin. Although the effect of a trade mark might have been to guarantee quality, the law in England under the 1939 Act did not recognise that function.⁴¹

An intention that origin theory will continue to play a central role in the new trade mark law of the United Kingdom is clear from the White Paper which preceded the new Act. The White Paper fully endorses the Explanatory Memorandum of the European Commission regarding the types of signs which a Community trade mark may consist. It recognises both the origin and distinguishing functions as follows:

*This provision defines the types of signs of which Community trade-marks may consist. It is geared particularly to the question whether the relevant sign is capable of performing the basic function of a trade-mark. That function, in economic and legal terms, is to indicate the origin of goods or services and to distinguish them from those of other undertakings.*⁴²

3.4 The EC

That origin theory is central to EC trade mark law is clear from the jurisprudence of the ECJ discussed in

40. Sebastian *Trade Marks* 2 - 5. See p 105-107 *supra* regarding the connection in the course of trade doctrine.

41. See Parry and Dinnage *EEC Law* 190; Champagne Heidesieck et Cie Monopolé SA v Buxton (1930) 47 RPC 421.

42. C-126/87, *Sebastian*, [1988] ECR I-3055.

chapter 12.⁴³ Note must be taken also of the following extract from the Memorandum on the Creation of an EEC Trade Mark:

*68. Any regulation of trade mark law depends ultimately on the functions which are attributed to the trade mark. Both economically and legally the function of the trade mark as an indication of origin is paramount. It follows directly from the concept of the trade mark as a distinctive sign, that is serves to distinguish trade mark products originating from a particular firm or group of firms from the products of other firms. From this basic function of the trade mark are derived all the other functions which the trade mark fulfils in economic life. If the trade mark guarantees that the commercial origin is the same, the consumer can count on a similarity of composition and quality of goods bearing the trade mark; and the advertising value of the trade mark requires that between the trade marked goods and the owner of the trade mark there is a definite legal relationship. Although the quality function predominates in the mind of the consumer and the publicity function predominates in the mind of the producer, so far as the legal aspect is concerned the decisive criteria is the function of the mark as an indication of origin. Only if the proper purpose of the trade mark is maintained, namely to distinguish the trade marked goods from goods of different origin, can it fulfil its further role as an instrument of sale promotion and consumer information; and only then does the trade mark right perform its function of protecting the proprietor against injury to the reputation of his trade mark.*⁴⁴

This passage clearly indicates the limitations of trade mark law viewed from the perspective of functional theory. If trade mark law is to confine itself to affording protection only in the passing off situation, in other words where there is deception as to the origin or source of product - in essence an impingement upon the origin function of the mark - and is to ignore impingements of other functions which trade marks fulfil

43. See chapter 13 par 7 p 359 *supra*.

44. Memorandum on the Creation of an EEC Trade Mark (Doc. SEC(76) 2462).

on the basis that they are economic and not legal functions, aspects of the trade mark of great value to the holder of rights therein will be denied protection.

Hertzog delivers the following cogent criticism of the passage:

The criticism which can be levelled at this exposition, is that it is doubtful whether "it follows directly from the concept of the trade mark as a distinctive sign" that it serves to distinguish products in terms of their origin; it may be that it serves to distinguish products in terms of elements, other than origin: e.g. quality and psychological drawing power. It is even more doubtful whether "from this (i.e. the origin) basic function ... are derived all other functions which the trade mark fulfils in economic life". It may be true that all other functions are basically derived from the distinguishing functions in that the advertising, quality and origin functions are all dependent on the distinguishing function. It may also be true that if the trade mark guarantees that the commercial origin is "the same" (in fact, it is doubtful whether, in view of the permissibility of assignments, this is the case), the consumer can count on a similarity of quality, but it is unclear why the advertising value of a trade mark requires that there be a "definitive legal relationship" between the owner of the trade mark and the trade marked goods. Surely the advertising value of a trade mark is derived partly from the fact that a product bearing a certain mark has a certain dependable quality and partly from the fact that the trade mark itself may inherently (i.e. apart from the qualities of the product) have a certain suggestive, and therefore attractive, value. It does not necessarily have to indicate a consistent origin for the trade mark to acquire "advertising value" (although it may conceivably also do so). The present writer is therefore in serious disagreement with the statement that "only if the proper purpose of the trade mark is maintained, namely to distinguish the trade marked goods from goods of different origin, can it fulfil its further role as an instrument of sales promotion and consumer information".

The writer is in even more serious disagreement with the view that "only then i.e. under the circumstances just mentioned), does the trade

mark right perform its function of protecting the proprietor against injury to the reputation of his trade mark."⁴⁵

I have been disposed to view the origin function as a variable function of trade marks because realities of trade and market indicate that trade marks can distinguish product without reference to origin.

This is not to say that I propose a ranking of trade mark functions in order of importance as some writers do. Rather, I suggest that amongst the functions a particular trade mark might perform, only the distinguishing function is indispensable.

European theory would, however, render the origin function paramount on the basis that insofar as a trade mark identifies and distinguishes goods and services it does so solely through the means of indicating origin. In my view this construction is not invariably correct and although its historical foundations are real, it remains hidebound to tradition without proper regard being had to modern developments in trade.

The views of modern continental writers vary.

Gielen, although confirming that the origin function is recognised as the primary function of trade marks by the ECJ and a number of leading continental writers, would nevertheless deny the origin function recognition in modern markets. He is critical of those writers who posit that trade marks distinguish product solely with reference to the origin thereof, particularly as consumers in general are for the most part unaware of the

45. See Hertzog 173 - 174.

identity of product sources. For **Gielen**, trade marks distinguish products and not sources from each other. In **Gielen's** view, the origin function has diminished in importance to a point where it is hardly relevant any longer, for the following reasons:

- (a) retailers have in modern times become a conduit between producer and consumer unlike in the past where retailers branded their own products;
- (b) differences in quality between competing products have diminished in modern times;
- (c) emotional and unconscious (i.e. psyche related) considerations rather than rational criteria have come to dominate as far as trade marks are concerned and consumers are even less concerned about the origin of product than ever.⁴⁶

By way of contrast the leading authority **Beier** posits:

*Only that function of the trademark is legally protected which guarantees the origin of the goods. The mark fulfils a quality function to the extent only that it guarantees to the consumer a constant source of origin.*⁴⁷

Kaufmann writes that although the consumer is not interested in identifying the source of the marked goods it is nevertheless important for the consumer to know that the source remains constant as this will indicate to him that the quality of the product remains constant and is thereby guaranteed. For **Kaufmann**, the trade mark is primarily an identifying means whereby in identifying a constant albeit anonymous source it assures the presence of qualities in the product which the consumer requires. In doing this the mark also performs a significant communication function.⁴⁸

46. See *Gielen Proefschrift* 16.

47. *Beier* [1970] IIC 48 - 72 66.

48. *Kaufmann BIE* 1980 67 (discussed by *Gielen Proefschrift* 15 - 16).

Mathély suggests that although it is an essential function of a trade mark to identify products, the matter does not end there. A mark provides the consumer of the identified product with the assurance that products marked the same have the same origin.⁴⁹

Pfeffer forges a close link between the distinguishing and origin functions as well as the communication function of trade marks. According to him, a mark creates a link between the goods which feature it and a specific enterprise. The public knows that a product featuring a specific mark emanates from a specific enterprise. The consumer need not identify the source. It suffices that all products (goods and services) featuring the same mark are of the same kind and emanate from the same source.⁵⁰

It is not my position that the origin function should be largely dispensed with as maintained by **Gielen**. I recognise the historical as well as the modern day significance of origin theory. I do, however, question those approaches which maintain the origin function in a dominant position whilst negating the importance and independent application of other functions.

I do not believe that a trade mark always does or must invariably indicate source or origin, either in fact, or under one or more of the legal fictions which group under the abstract theory of the origin function. Stripped of legal fictions, the origin function of trade marks is, I have concluded, a variable function which may or may not be present in fact in any particular instance.

49. Mathély *Le droit Français des signes distinctifs* 11. (Ad discussed by Gielen at p 17).

50. Pfeffer *Grundbegriffen* par 59 (As discussed by Gielen p 15).

4. *ASSURANCE FUNCTION*⁵¹

The genesis of the quality function of marks is to be found in the medieval production marks which developed a link between the marks and the quality of both the workmanship and of the goods in connection with which they featured. This concept was accepted in early trade mark law where the mark served as a guarantee that the goods obtained from a particular manufacturer with whom the purchaser had hitherto been pleased were of the expected quality.⁵² Essentially, the guarantee function arose out of the origin function. Marks indicated source at first. When special or desired qualities became associated therewith, marks came to indicate the presence of such qualities, also.

The quality function has been refined over time. According to **Schechter**, writing in 1927, a trade mark does not indicate that the marked article comes from a particular and definite source, the characteristics of which or the personalities connected with which are favourably known to the purchaser. Rather, a mark guarantees to the consumer that the goods in connection with which it is used emanates from the same source or reached the consumer through the same channels as did other goods with which the consumer was satisfied and which displayed the same trade mark. Essentially, therefore, the consumer does not regard a trade mark as an indication of origin but rather as a guarantee that the goods purchased under the mark have the same meritorious qualities as those previously noted in earlier purchases of goods bearing the mark. In this

51. Also known as the "quality" or "guarantee" function. When emphasis is placed upon the consistent quality required of marked goods the term "quality function" is chosen. Where the focus is upon the guarantee of consistent quality which marks represent, the term "guarantee function" is chosen. The label chosen reflects different aspects of the same function.

52. See James LJ in *Massam v Thomley's Cattle Food Co* (1880) 14ChD 748 755.

sense the mark "sells the goods".⁵³ Hence, **Schechter** derived the abstract origin theory of trade marks - trade marks indicate a consistent albeit anonymous source - and substituted a source of assured quality in the place of a specific undertaking as the source. This brings about a mix of the origin and assurance functions which is often evident in the market-place.

That **Schechter's** interpretations soon exercised an influence is clear from the remarks of **McCarthy**. According to this author, a new concept, building upon and expanding the source theory, arose during the 1930's which recognised that a trade mark does not necessarily have to indicate only manufacturer or merchant source, but could also serve to indicate a level of constant quality. This gave rise to the "quality" or "guarantee" function of trade marks. It does not however mean that the origin function is thereby replaced. The functions stand side by side and the guarantee function is really a facet of the old source theory broadened to include not only manufacturing source but also the source of the standard of quality of goods bearing the mark. In other words, a single source of quality control over the goods or services - a unified source of quality control - replaces the direct link previously required between the goods or services and the manufacturer or provider thereof, as the case may be.⁵⁴ It is to this construction of the origin function to which the ECJ subscribes, as I have pointed out elsewhere.⁵⁵

Thus, in modern trade mark law a close relationship exists between the origin and guarantee functions. The modern trade mark is regarded as identifying an anonymous and not necessarily unitary source which underwrites the quality of the product featuring the mark and from which the product is regarded as emanating.

53. Schechter *Historical Foundations* 149-150.

54. McCarthy *Trademarks and Unfair Competition* 111-112.

55. See p 369, 370-371, 374 *supra*.

Guarantee theory has, therefore, become encapsulated in a broadening of origin theory by means of the application of the concept of "source of standards and specifications". This responds to the need for trade mark functions to be explained in a manner consistent with emerging commercial realities without abandoning traditional approaches altogether.⁵⁶

The term "guarantee function" is a misnomer insofar as a trade mark does not provide a guarantee in the strict sense of the term. No legally binding warranty is implied or intended thereby.⁵⁷ A high quality or standard is also not implied. What is meant is that the quality level - whatever it is - will remain consistent and predictable.

European writers consistently agree that the consumer has no right to compel the trade mark holder to maintain or guarantee the qualities, characteristics or properties of the product upon which the same mark is featured from time to time.⁵⁸

Gielen observes in relation to the law in the Benelux that a loss of interest in the product by consumers in those circumstances where the assignee of a trade mark allows the trade marked product to deteriorate is regarded as an adequate sanction and no provisions directed at reducing consumer confusion by prohibiting free assignment of marks were therefore deemed necessary by the legislature.⁵⁹

The sanction which the market can vest upon a manufacturer who changes the quality or nature of a trade marked product is aptly illustrated by the **Coca-Cola** example. The recipe for the product bearing the universally known **Coca-Cola** trade mark was changed

56. Per Ladas in *Patents, Trademarks and Related Rights* 1128 discussed by Parks 82TMR 531-569 (1992) 554.

57. See McCarthy *Trademarks and Unfair Competition* 112.

58. Gielen *Proefschrift* 18.

59. See Gielen *Proefschrift* 18. Benelux legislation influenced the Directive substantially.

during 1985. The new formula did not meet with consumer approval and the Coca-Cola Company was compelled to revert to the well-established recipe - to restore the known quality - or incur substantial loss from a substantial reduction in sales.⁶⁰

Gielen observes that in practice producers often make changes to a product without changing the trade mark applied thereto. This can be used in marketing the product to enhance sales by creating new interest. The mark is maintained to apply the existing attractive force thereof to the new product.⁶¹ As the **Coca-Cola** example, however, illustrates, this approach is not a guarantee of enhanced interest.

According to **Gielen**, the quality function has diminished in importance with reference to the modern trade mark for two reasons:

- 4.1 The actual differences in quality between competing products of the same kind have diminished in modern commerce;
- 4.2 Trade marks, therefore, no longer assure specific distinguishing characteristics or consumer-desirable characteristics but rather, as I will discuss later in this chapter, perceived differences signalled by the associative network established about the mark.⁶²

In **Gielen's** assessment, the properties and characteristics of the product still play some role but the expectation which the consumer develops regarding the subjective as well as the objective qualities of a product when a mark is encountered is but one of the aspects which enables him to decide regarding the

60. See *Gielen Proefschrift* 19; Economides 78 TMR523-539 (1988) 530.

61. *Gielen Proefschrift* 19.

62. *Gielen Proefschrift* 19.

product. The product image comprises numerous aspects, physical as well as psychic - and the consumer's choice when confronted with products in the market-place depends upon all the rational and emotional aspects communicated by the trade mark. Thus, the quality function is not an autonomous trade mark function but merely an element of the product image communicated by the mark.⁶³

I have observed that the assurance (guarantee) function is also known as the quality function. By quality function is meant that each time the consumer encounters a marked product he will proceed from the supposition that the product is more or less of the same quality as other products featuring the same mark. This is also seen as the trust function of a trade mark. The public, through experience and advertising, are made aware of the specific properties and characteristics of a product and the mark enables the public to trust that the product featuring the mark has maintained the known properties and characteristics. This can be coupled with an expectation that the producer will strive to enhance them.⁶⁴

Economides considers the guarantee function of trade marks from the perspective of trade mark economics. He distinguishes between search goods and experience goods. Experience goods are goods which a consumer buys often and in regard to which he can gather experience as to the features of the product from a few purchases thereof. This experience is subsequently applied by the consumer when choosing the product again. The consumer takes cognisance of preferred quality features, price and variety features such as available colours.⁶⁵ In the context of experience goods, therefore, trade marks assist persons faced with a multiplicity of trade marks to select a product which past experiences have shown to

63. Gielen *Proefschrift* 19-20. See p 488 *infra* regarding the imago of trade marks.

64. See Baumbach *Warenszeichenrecht* 26 discussed by Gielen at p18. See also footnote 51 p 476 *supra*.

65. Economides 525.

be satisfactory.⁶⁶ In regard to experience goods the success of a trade mark is a function of the following, according to **Economides**:

- 4.3 The consumer's ability to recall the mark and its associated features;
- 4.4 The inability of others to use the same or a confusingly similar mark;
- 4.5 The reluctance of enterprises to change the variety and quality features of the trade marked product.⁶⁷

Search goods, on the other hand, are goods which are infrequently purchased and infrequently consumed by the same individual. Such goods include, for example, refrigerators, television sets, stoves and the like. Lacking previous consumption the purchaser is unable to identify the trade mark with the product in the same way as with experience goods. To forge an association between the goods and trade mark the consumer is therefore compelled to rely on information diffused informally or by way of the advertising of the product. In this regard **Economides** states:

It is clear that, because of differences of interpretation as well as differences of opinion and preference across consumers, the information on which the choice will be based is most likely to be much more vague than in the case of experience goods. Most relevant information reaches the consumer in summary form. Information gathered through this process is likely to be incomplete and the consumer has little hope of more complete information on product features.

*However, firms may use trade names to help the consumer identify the quality level of product. Even though the consumer is an infrequent buyer of a particular kind of electronic product, he may be a frequent buyer of the overall category of electronic products, and thus he is likely to have previous experience in the consumption of goods with the same trade name. Choosing a high quality standard in the category of electronic products, a manufacturer can use his trade name to transmit information on quality through the direct previous experience of consumers.*⁶⁸

66. See Lunsford 4 Georgia LR 322-340 (1970) 322.

67. Economides 527-528.

Thus, in the case of search goods, the quality signalled by the trade mark plays a particularly important role.

It follows from the discussion of the assurance function that apart from the close link which exists between the origin and assurance functions there are other functions revealed in the application of the assurance function. Clearly, in order to assure the maintenance of a consistent quality the trade mark must bear and communicate information to the consumer. In doing so the trade mark clearly functions as a advertising and selling mechanism. I proceed to consider those trade mark functions which have obtained great significance in commerce but which require further attention from the law. Again, these functions are not always clearly defined and commix in their operation.

5. *THE ADVERTISING AND SELLING FUNCTIONS*

The presence of a trade mark advertising function was first suggested by **Hopkins** in the U.S.A.. He proposed that trade marks guide the public to the goods they wish to buy and serve as a perpetual means of identification and advertisement of the goods concerned.⁶⁹ I have already observed that in 1927, **Schechter** proposed that a trade mark has an intrinsic selling power which enables it to "reach over the shoulder of the retailer" to the consumer.⁷⁰

Diamond mentions the advertising function of the modern trade mark in relation to the get-up which features it:

A trademark obviously is a symbolic device that can be used in advertising. More specifically, the package that bears the trademark becomes an advertising medium itself - an advertising medium that is

69. Hopkins *Law of Trade Marks* 17 (as discussed by Hertzog at page 37 footnote 19). See also p 540-554 *infra* regarding the advertising function.

70. Schechter 60 TMR 334-352 (1970) 337.

*particularly important in present-day merchandising when so many products are bought off the shelf in supermarkets and other self-service establishments.*⁷¹

A concise description of the advertising function of the modern trade mark is provided by **Rutherford**, who writes:

*Today, through the use of sophisticated advertising techniques, a manufacturer aims at promoting the sale of his product. In this regard, he makes use of his trade mark firstly, to identify and distinguish his product, and secondly, as a conduit for the transmission of the persuasive power of his advertising. If his advertising campaign is successful and the product proves acceptable to the consumer, the trade mark will identify the product as satisfactory and will thereby stimulate further sales. The trade mark actually helps to sell the product. In this way the trade mark creates and retains custom. A trade mark, therefore, not only constitutes a symbol of the goodwill of the proprietor's business but is an important agent in the creation and perpetuation of that goodwill.*⁷²

According to **Braun**, the importance of the advertising function lies in the significant potential which a mark provides for the producer to communicate with consumers via the advertising media. A trade mark provides the means by which a product is identified and attention is drawn thereto. It is this phenomenon which provides the reason for protecting trade marks. In the view of **Braun**, a mark obtains its notoriety through advertising expenditure.⁷³

Trade marks have been widely recognised as serving a primary function in effective advertising which creates consumer demand and popularity for the particular trade-marked product advertised. The trade mark functions as an advertising and selling device with the power to generate sales. In this context, trade marks

71. Diamond 290.

72. Rutherford - Misappropriation of the advertising value of Trade Marks, Trade Names and Service Marks 56 in Neethling (ed) *Onregmatige Mededinging* 55-69.

73. Braun *Precis* 22-24 (as discussed by Gielen 20).

are viewed as the most effective means available to producers who wish to establish product acceptance and encourage consumer loyalty. Trade marks have the power to create goodwill and consumer acceptance.⁷⁴

Gielen, however, is of the view that the advertising function is not autonomous but lies included in the communication function.⁷⁵

A trade mark certainly communicates information to the consumer and it cannot advertise or sell product without doing so. In my view, however, trade marks function in a "functional matrix" which recognises the possibility of the commixture and overlapping of trade mark functions evidenced by a particular mark. Little purpose is, therefore, served in concluding that a particular facet thereof (for example the advertising function) is necessarily absent when some other facet (for example the communication function) is discerned.

According to **Sanders & Maniatis**:

*Recognition of advertising as a separate function of a trade mark merely acknowledges the goodwill which the trade mark can attract to itself independently of the goodwill of the product or its maker. Good branding is a prerequisite to successful marketing.*⁷⁶

The authors describe the concept of the "brand" in which the mark provides the nucleus, in the following terms. Brands have both definition and value. A brand is a product which provides functional benefits plus added values which consumers value enough to buy. These added values are derived from consumer experience of the brand, the kind of people who use the brand, a belief that the brand is effective and the appearance of the brand.⁷⁷ This represents a mix of the product and the

74. Hanson and Walls 81 TMR 480-533 [1991] 485-487.

75. Gielen *Proefschrift* 20.

76. Sanders & Maniatis [1993] 11 EIPR 406-415 408.

77. See Sanders & Maniatis 409 footnote 20 and the sources there discussed.

mark into a package called the brand. It is by means of the brand that trade marks now appear on the balance sheet of firms in addition to "goodwill".⁷⁸

Whether a trade mark has both an advertising and a selling function in need of autonomous recognition does not appear to me to be a question requiring consideration in depth. Nevertheless, for the purpose of analysis, the selling aspect or function in the narrow sense can in my view be regarded as the power of the mark to induce the desire to purchase and exert a suggestive attractive force upon consumers.

6. *THE GOODWILL FUNCTION*

According to **Kaufmann**, the goodwill function refers to the ability of a trade mark to increase the confidence of the consumer to a degree where qualities present in a product of a certain category which features the mark are attributed also to products in other categories which feature the same mark. This "goodwill function" is one of the three economic functions of trade marks (beside the identification and guarantee functions).⁷⁹ The close link between trade marks and goodwill has already been discussed at length.⁸⁰

From a trade mark economics point of view when considered from a positive perspective, trade marks foster competition and the maintenance of quality by securing to the producer the benefits of a good reputation. Successful trade marks are, therefore, valuable because of the information they convey. The consumer sees the mark and knows what the mark represents: a consistent quality, a reputation for service and any of the things that, when taken together, are thought of as business goodwill. Although goodwill

78. See p 181-182 *supra*.

79. Kaufmann *Dissertation* 138 (as discussed by Gielen at 21).

80. See p 177-181 *supra*.

is intangible and its precise source is often difficult to trace, it is nevertheless one of a firm's most valuable assets because it is by definition a major reason for the consumer's choice amongst competing brands. The trade mark is therefore one of the visible means by which goodwill is identified, bought, sold and made known to the public.⁸¹

Carter follows the traditional approach that trade marks have no meaning except when appurtenant to goodwill. Traditionally trade marks are protected because they represent goodwill. The mark as a symbol - not the mark itself - is protected. The mark therefore confers no monopoly in the proper sense - being merely a commercial signature which facilitates goodwill. Historically, says **Carter**, marks without goodwill have been treated by the law as meaningless and unworthy of protection.⁸² Hence there is no protection at law for the mark itself and the law has never created an incentive to create marks of an attractive kind. No matter how clever the idea for a mark, no matter what special charm it has, the mark itself, lacking any underlying goodwill, has not before the advent in the U.S.A. of trade mark registration legislation, been afforded federal or common law protection. In economic terms, no matter how charming the mark, without goodwill it carries no information and it cannot be economised as a result.⁸³

It appears to me that if consumers respond more positively to certain marks such marks have an intrinsic value. The fact that the law has not hitherto protected them does not mean that it never should.

Hertzog regards the goodwill function - which he does not however define with specificity - as the most important trade mark function.⁸⁴ He regards the

81. Per Carter 99 Yale Law Journal 759-800 (1990) 761.

82. Carter 761-762.

83. Carter 767-768.

84. Hertzog *Functional Theory* 120.

goodwill function as an umbrella under which resorts a number of diverse factors such as origin, quality, emotion and any other considerations which in combination give rise to positive implications concerning the product in the mind of the consumer and which bring about a purchase. It appears that the goodwill function as constructed by **Hertzog** is essentially that function of a trade mark which, for whatever single cause or multiple underlying reasons, brings about a positive response in the consumer resulting in a purchase.⁸⁵

As observed earlier, I prefer to regard the multiple functions of trade marks when simultaneously present as part of a functional matrix. This concept is considered hereunder.⁸⁶

7. *THE INFORMATION BEARING AND COMMUNICATION FUNCTIONS*

A trade mark, according to **Gielen**, creates an associative network around products by means of its power to communicate. Through sound strategy a producer can create brand or outlet loyalty which attaches a reputation or goodwill to the mark. This influences the consumer to repeat purchase as the desire to buy is stimulated because the mark is found attractive.⁸⁷

Gielen's central point is that trade marks have undergone a significant change in modern times: the earlier importance of the rational or physical character of trade marks has been replaced by the emotional or psychic aspects of trade mark functioning. This proposition is derived by the writer from his examination of research conducted in the advertising and marketing sciences which led him to question the validity of the classical approaches to trade mark functioning.⁸⁸

85. Hertzog *Functional Theory* 82.

86. See p 497-498 *infra*.

87. Gielen *Proefschrift* 10.

88. Gielen *Proefschrift* 10-11.

According to **Gielen**, a trade mark features an associative network which it encapsulates and conveys. This associative network is made up of the properties and characteristics of the product, packaging and the advertising associated with the product, which includes real or perceived product qualities both consciously and unconsciously discerned by the consumer.⁸⁹

The associative network is built up over time out of diverse associations which a consumer is offered through advertising, and the product image which he creates for himself in relation to the product. The trade mark then comes to incorporate and communicate this information to him when he encounters the mark.⁹⁰ In other words, a trade mark can capture and contain an associative network of information and emotionally and psychologically charged signals or impulses which are communicable to consumers. The product attains both an image in the market and a subjective gestalt in the mind of a particular consumer. This enables the offeree of products to forge a bond with consumers. A trade mark is therefore an information conveying and a signalling means. The trade mark symbolises and encapsulates that which makes up the external image of the product in the market as well as its image in the subjective mind of each consumer. I have labelled this combination of external and internal images provided by a mark as the trade mark imago. According to **Gielen**, the intrinsic value of trade marks is to be found in this aspect of trade mark functioning and must be protected by law.⁹¹

The role of advertising and the formation of product image is discussed by **Economides**. This writer distinguishes between information advertising and perception advertising. Information advertising

89. **Gielen** *Proefschrift* 10.

90. See **Economides** 533.

91. See **Gielen** *Proefschrift* 10.

disseminates information about prices, store location, dates of sales and the like. Perception advertising - also referred to as persuasive advertising - is relevant to the perceived image of the product and adds attributes to the product to be perceived by the consumer. A desired mental image is added to the physical goods by perception advertising. The consumer then buys both the commodity and the mental image. Trade marks are the carriers and means by which the advertising of perceived images becomes possible.⁹²

Trade marks, therefore, both contain and communicate information and fulfil information bearing and communication functions alongside and in conjunction with other trade mark functions.

8. *LEGAL AND OTHER FUNCTIONS*

I have already indicated in preceding paragraphs that in the view of a number of prominent writers the modern functions of trade marks are not recognised by law. This is aptly illustrated by the continental writer **Von Bunnan**.

According to **Van Bunnan**, the origin function is the primary and the original function of a trade mark and its only legal function. This is so despite that the impersonal nature of modern production and trade has caused the trade mark to undergo the basic change from indicating origin to providing identification. According to **Van Bunnan**, a product bearing a specific mark indicates to the consumer that another product bearing that mark is the same. The product itself and not the source of product is emphasised. This is the identification function of a trade mark which leads in turn to the guarantee function in the minds of consumers. Certain standards are associated with the mark by consumers although commercial imperatives rather

92. Lunsford 325.

than legal provisions require the producer to maintain standards. Advertising gives a trade mark a value independent of its use and advertising expenditure imbues a mark with a value independent of the article to which it is applied. This indicates the advertising function of trade marks which is also recognised by **Van Bunnan**. Nevertheless, he concludes that whereas in modern conditions the functions upon which the value of a trade mark is based are the guarantee and advertising functions, these functions are not recognised in law and therefore an incongruency exists between economic realities and legal theory.⁹³

Hertzog identifies the following as economic functions of trade marks:

- 8.1 the "distinction" function;
- 8.2 the origin function;
- 8.3 the quality function;
- 8.4 the advertising function.⁹⁴

By means of a comparative study, **Hertzog** investigates which functions serve as "legally protected" or "legally acknowledged" functions.⁹⁵ The conclusion of **Hertzog** relevant hereto is as follows:⁹⁶

If, then, it is patently illogical to expect a trade mark to fulfil a concrete origin function, and an abstract origin function also does not seem tenable, it would seem as if the quality function does really suggest itself as a "legally protected" function. However, as pointed out in the course of the research, the quality function is not the only function which a trade mark may in practice fulfil. Apart from the fact

93. Van Bunnan *Aspects* 4 (Discussed by Hertzog *Functional Theory* 27).

94. Hertzog *Functional Theory* 7 - 8.

95. Hertzog *Functional Theory* 8.

96. Hertzog *Functional Theory* 169 - 170.

that a trade mark may have quality connotations, it may also have various other connotations for an ordinary buyer. It may, for example, evoke various psychological images (some of them rational, some of them irrational) which may lead the buyer to make a specific purchase. The exact reason why a purchaser selects a specific product out of many, may not always be clear and it may differ in different situations (this is the so-called "socio-economic" or, to use Troller's phrase, "phenomenological" aspect of the trade mark). Evidently the law, whilst not formulating all of these functions in so many words, will nevertheless in a practical situation be confronted with all the different aspects of a specific situation. And it is suggested that to turn a blind eye to all these practical considerations and to insist on recognising only one or a few "legally protected" functions to the possible detriment of others, is to point out a shortcoming in the law.

While it is not suggested that there should be no legal limitations imposed on a practical situation, and that the judge should be exclusively guided by "socio-economic" considerations, it is suggested that legal cognisance should be taken of all the practical considerations in a given situation.

A conclusion that the law must not confine itself to "legally protected" or "legally acknowledged" trade mark functions *a priori* is clearly sound.

The central issue appears to me to be this: the law does not yet provide an appropriate theory to underpin the right of a trade mark proprietor to assert the newly recognised *de facto* functions of trade marks against others, or to protect the proprietor from conduct by others which impinges upon his ability or capacity to apply fully the available spectrum of functioning which comprises the content of his trade mark right. This has come about, in my view, due to a failure to afford elasticity to trade mark rights and a failure to properly define the nature of such rights in civil systems or the nature of trade marks as property in common law systems.

9. THE FUNCTION OF TRADE MARKS AND ECONOMICS

I do not refer in this paragraph to those functions which the law has traditionally failed to recognise fully or at all (which some writers refer to as "economic functions"), but rather to the functions which trade marks perform in the context of economic theory.

Certain of the trade mark functions already discussed have consequences of which economic theory takes note. In this regard the identification and communication functions, operating together, reveal a product differentiating function which in the functional matrix might be regarded as an aspect of the distinguishing function. By the product differentiating function I mean the operation of a trade mark to assist consumers in identifying the unobservable features of trade marked product. Consumers do not achieve this result analytically but with reference to the summary provided by the trade mark, which the consumer identifies with a specific cluster of features. In other words the trade mark goes further than identifying quality standards. A trade mark identifies both quality and variety features (the full combination of features which constitute the product). In economic terms, the trade mark enables product differentiation by the consumer which affords the consumer a wider spectrum of quality and variety choice. From this economic perspective firms are thereby able to compete in an added dimension, which enhances competition.⁹⁷

According to **Economides**, where experience goods have unobservable differences in quality and/or variety features, trade marks:

- 9.1 enable consumers to choose products with the desired combination of features (the identification and distinguishing functions);

97. See Economides 526-527, 533.

- 9.2 encourage firms to maintain consistent quality and variety standards which enable the product to compete over a wide quality and variety spectrum (the quality function).⁹⁸

As trade marks enable consumers to distinguish between goods which otherwise look identical in all their features before purchase, trade marks -

- 9.3 facilitate and enhance consumer decisions;
9.4 create incentives for firms to produce products with desirable qualities (even if not observable before purchase).⁹⁹

Trade marks assist in advertising activity in the interests of consumers in two ways:

- 9.5 they add to consumer knowledge of the existence of goods i.e. consumers get to know more about existing products and new products announced by means of advertising. This assists competition;
9.6 they help form consumer expectations as to the utility of the product which assists consumers to assess real differences between products. In this way identical or similar products are differentiated.¹⁰⁰

In the latter regard, **Gielen** makes the point that the objectively measurable differences between the intrinsic qualities of competing products are ever diminishing in modern commerce. Hence, according to **Gielen**, as already observed, trade mark functions which recognise the role of non-rational aspects of the psyche of the consumer in relation to the purchase are of increasing importance. In his view, the modern trade-marked article comprises a more or less uniquely marked product which is purchased in the first instance because it features a specific or well-known trade mark. It is bought because its

98. Economides 525.

99. Economides 526. This reveals the distinguishing function.

100. Cornish & Phillips 53. This reveals the communication and quality assurance functions.

character fits the values and lifestyle of a specific category of consumers which is maintained through repeat purchasing. The characteristics of the product itself - although not unimportant - do not play the crucial role in the exercise of consumer choice. Insofar as differences between product properties have diminished whilst the power of consumers has increased, producers must vie to attract the consumer's choice. If the product itself cannot determine the choice, other non-rational factors must. Here the associative network which the producer has been able to build up will determine the choice. In this sense, according to **Gielen**, a trade mark has a powerful communication function in the socio-economic field.¹⁰¹

In my view, the suggestion that it is the non-rational which determines consumer choice does not serve as universally true. The nature of the market appears to me to determine the primary function which a particular trade mark performs. In a less consumer-lifestyle oriented market such as that for precision instruments for laboratory use, it will be the known quality of the product and source which will determine the choice rather than a fad-market response signalled and initiated by a non-rational aspect encapsulated in the imago of the mark.

The question arises whether a trade mark imago created through manipulative advertising should be protected. This is a matter which deserves specific attention beyond the confines of this work. I mention it, however, as a matter which is ultimately likely to arise in the practical application of the conclusions at which this work ultimately arrives.

In regard to matters relevant to the preceding discussion **Cornish & Phillips** point out:

101. See *Gielen Proefschrift* 11-13.

*A consumer will frequently be prepared to buy a more expensive product about whose quality he is confident rather than a cheaper product about which he knows little or nothing and judges the cost of finding out more to be too great.*¹⁰²

On the other hand -

*Not all brand loyalty is to be described in these rational terms. Sometimes it stems rather from faddish preference. The satisfaction of acquiring things for the trade mark they bear seem analogous to the phenomenon of "conspicuous consumption": the purchase of goods more for the display of the purchaser's wealth to others than for their value in use.*¹⁰³

Economic functions in the narrow sense indicate the results of the operation of other known trade mark functions viewed from the economics perspective of the functional matrix. Thus, the operation of the identifying, distinguishing and communication functions of a trade mark in the market leads to the mark fulfilling a product differentiating function in economics. The operation of the quality assurance function on the other hand, leads to the mark fulfilling a competition enhancing function from the perspective of economics. A consideration of **Gielen's** views discloses a further example: the operation of the advertising, selling and communication functions in the non-rational sphere of consumer choice leads to a socio-economic trade mark function.¹⁰⁴

Johnston translates the various trade mark functions into the following economic implications and policies: protecting against consumer confusion, promoting the manufacture of quality goods, eliminating free-riders and the protection against intrusion upon the goodwill of

102 Cornish & Phillips 11C Vol 13 (1982) 41-64 49.

103 Cornish & Phillips 49.

104 Gielen *Proefschrift* 16.

the undertaking. The communication function particularly facilitates the free flow of information to consumers and reduces transaction costs.¹⁰⁵

I am ultimately led to subscribe to **Gielen's** conclusion that to deny legal protection to the socio-economic, the non-rational, modern *de facto* functions of trade marks negates the realities of market-economics, including the merchandising phenomenon and other diversifications of use.¹⁰⁵

I am also led to conclude that insofar as the true economic functions which trade marks perform derive from the direct functions¹⁰⁶ (which more often than not operate in conjunction with each other), to categorise certain of them as legal functions¹⁰⁷ and then extend the protection of law only to the latter, is untenable.

My answer then to **Lord MacKenzie Stuart's** question is, therefore, that the law should recognise all those functions of a trade mark which are discernible in the market-place. In the following chapter I conclude that the legal basis upon which such protection is to be based in South Africa is revealed by an investigation of the entitlements attaching to the trade mark as the object of the subjective immaterial property right to a trade mark.

10. THE DURATION OF FUNCTION

It must be noted that a distinctive trade mark does not cease to function immediately after a purchase is made. It will in most cases identify and always distinguish the goods featuring it, whether before or after purchase, whilst the question of source and other

105. Johnston 85 TMR 1-54(1995) 19-22, 53-54.

106. Such as the identifying, distinguishing, assurance, advertising and communication functions.

107. Such as the origin function and the assurance function only.

functions comes into play - insofar as they are present or are of importance in any specific instance - immediately prior to the purchase or at the time of infringement of the right.

*Whether any importance attaches to the mark as an indicator, after purchase, of where the goods come from will vary with the type of product. Durables which require servicing or repairing calls for this kind of trade mark use; goods that are consumed straightaway do not, unless of course they prove to be defective.*¹⁰⁸

11. THE FUNCTIONAL MATRIX

Trade marks are able to perform multiple functions: a particular trade mark at a given time can display a number of functions simultaneously.

I have discussed certain of these functions in the preceding paragraphs.

A *numerus clausus* of trade mark functions is not however to be constructed as new functions will develop as the market changes and develops. The historical overview of the development of trade mark protection which is a theme of this work makes this clear although it also shows that the response of the law thereto has been slow.

The various trade mark functions display various aspects and their operation is discernible in different spheres at the same time, such as the legal and economic spheres.

Trade mark functions often commix and this is often evident especially with the origin and quality assurance functions, the advertising and communication functions and the identifying and distinguishing functions. These functions are projections of the immaterial property known as the trade mark.

108. Cornish & Phillips 43.

When a distinctive trade mark in use displays the operation of a number of functions simultaneously, a functional matrix arises in which the functions which the particular trade mark as a unit is performing *de facto* in the market is taken up. Whether any particular function is present is a question of fact. A particular function need not be autonomous to be protected: inter-dependency with other functions will not vitiate it.

Unlawful interference with any function discernible therein will impinge upon the matrix and infringe the right.

The functional matrix of a distinctive trade mark in use is akin to a cut gemstone in the hands of its proprietor: its various facets reflect the multiple functions it performs - the perspective from which it is viewed shows different aspects of its functioning - a turn of the stone reveals the presence of functions not previously apparent.

12. CONCLUSIONS

It is clear to me that a trade mark can perform diverse and multiple functions. The functions which a trade mark performs in fact are derived from and mirror its action in the market. Modern markets are dynamic and as they change so the range of trade mark functions can be expected to extend correspondingly. This leads to the modification of recognised trade mark functions and the appearance and recognition of new modes of functioning. At the same time, the various aspects of trade mark functioning are not amenable to absolute lines of division but rather commix. At any given time, a trade mark in use in the market-place will invariably function to distinguish product and will in most instances display one or more of the variable trade mark functions operating simultaneously therewith in a functional mix - the functional matrix of the trade mark.

Concepts of trade mark functioning must, therefore, be afforded elasticity and a *numerus clausus* of legally recognised and universally applicable trade mark functions ought not to be constructed. This approach requires the trade mark right to be sufficiently elastic to accommodate the functional matrix without drawing absolute technical distinctions between available functions and then affording them labels which restrict, *a priori*. Nomenclature and labelling assist greatly in the analysis of the trade mark functions. In my view, however, the desirability of recognising functions which are sufficiently defined to be regarded as autonomous must not lead to the application of rigid models which regard such functions in isolation, detached from the realities of the market-place.

In my view there are both invariable and variable trade mark functions. If a trade mark is incapable of performing the invariable trade mark function of distinguishing goods or services it cannot function as a trade mark. When a mark does so qualify and function it may also - depending upon the facts - fulfil one or more of the variable trade mark functions. I define variable trade mark functions as those functions which a particular trade mark fulfils *de facto* but which do not, if absent, render the mark incapable of functioning as a trade mark both *de facto* and *de iure*. If a mark cannot distinguish goods or services it cannot function as a trade mark either in fact or in law. Thus, all functions other than the distinguishing function I regard variable - they may be present but they need not be. Furthermore, in my view, all functions and aspects of functioning which are present *de facto* in any particular case deserve and require protection from unlawful interference by others.

It follows that rigid maintenance of the often made distinction between "economic" trade mark functions and "legal" trade mark functions (being functions of which

the law takes cognisance) places an unnecessary *a priori* limitation upon the rights of the trade mark holder. The same objection applies to those approaches which deny that all or certain of the traditionally accepted trade mark functions have any remaining relevance or residue of importance and those approaches which regard it a necessary corollary, when recognising new functions or establishing known functions as sovereign, that the validity of other functions must then be denied *in toto*.

It must, however, be said that when considering trade mark functions in law from a historical perspective, the origin theory has heretofore provided the axis about which everything turned. In this regard, trade mark law has, until the recent acceptance of the advertising function in the new Continental, British and South African legislation, been reluctant to stray from its origins, which as earlier chapters have shown, was to guard against the appropriation of trade marks in order to pass off product. The trade mark functions which the law has recognised in the past have, therefore, for the most part been confined to indicating origin or source of product and functions reducible thereto by means of legal fiction.

Trade marks have clearly functioned otherwise than merely to indicate origin or source of product throughout the twentieth century but the law has not yet provided a way to properly extend protection to such functions. Where the law has not yet found the means of protecting modern trade mark functions the division already referred to between legally recognised functions and economic or socio-economic functions was introduced.

In the following and penultimate chapter of this work, I propose to show that the diverse functions which a trade mark performs reflect the content of the immaterial property right to a trade mark and that all of these functions are protectable under the law.

CHAPTER 16**THE SUBJECTIVE RIGHT TO A TRADE MARK**

This chapter sets out my conclusions regarding the nature of the right to a trade mark revealed by the historical development of trade mark law and trade mark functions in the preceding chapters of this work.

It proposes that the construction placed upon the notion of a subjective right by **W A Joubert** which is derived from the thoughts of **H Dooyeweerd** and the classification of rights by **Dabin** - provides the construct, when suitably amplified, which is most apt for revealing the nature of the right to a trade mark in the trade mark law of South Africa.

The chapter first considers the traditional approach to private law rights in the common law of South Africa briefly, and then proceeds with a discussion of the doctrine of subjective rights. Particular emphasis is placed upon the work of **W A Joubert** and **J D van der Vyver** in regard thereto.

A brief consideration is afforded the notion of subjective rights in the Common Law, whereafter the trade mark right in South Africa is given gestalt following a brief discussion regarding the protection of intellectual property rights in general and the place of trade mark rights in regard thereto, particularly at the interface between statutory law and common law.

Important approaches regarding trade mark rights and the protection afforded trade marks are then discussed and the chapter culminates in a description of the trade mark right to which this research has led me.

1. THE TRADITIONAL APPROACH TO PRIVATE LAW RIGHTS¹

The traditional approach to private law rights in South Africa is based upon the distinction between real and personal rights. According to this approach real rights are absolute and personal rights relative in their application.² In other words, real rights are effective "against the whole world", whilst personal rights operate between specific parties.

1.1 *Classical Roman Law*

Classical Roman law featured a system of actions which recognised the distinction *actiones in rem* and *actiones in personam*. Actions of the first kind were directed at real objects whilst actions of the second kind were directed at a specific person. The distinction in Roman law between *actio in rem* and *actio in personam* did not, however result directly in the present-day distinction between *ius in re* and *ius in personam*.³ This development took place only in the 16th century.

1.2 *Subsequent Developments*

During the early 13th century **Tancredus** began the conceptual transformation of the real and personal actions of Roman law to *iura in re* and *iura in personam*. It took until the 16th century, however, for the distinction

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1. In contrast to public law rights as the distinction is generally understood in South Africa.
 2. See Van der Vyver "The doctrine of private law rights" in SA Strauss (ed) *W A Joubert* (hereafter Van der Vyver) 201. It is interesting to note that "incorporales", being intangible things having an existence in law, were known to Gaius (Inst 2.14). See Van der Vyver 203 footnote 10.
 3. See Van der Walt 1992 (55) THRHR 170-203 173.

to be established with clarity in the work of **Apel**⁴. As **Feenstra** puts it:

*In de 16e eeuw worden ineens de uitdrukkingen iura in re en iura ad rem door vele auteurs bij voorkeur gebruikt om de tegenstelling weer te geven die de Postglossatoren tussen iura realie en iura personalia gemaakt hadden. Reeds in 1880 heeft Stintzing in dit verband terloops de aandacht gevestigd op Johannes Apel, die in zijn uit 1535 stammend tractaat Methodica dialectices ratio ad jurisprudentiam accommodata het onderscheid tussen ius in re en ius ad rem tot hoofdingeling van het gehele privaatrecht maakte.*⁵

Donellus then advanced matters by making a fundamental classification of real rights into ownership on the one hand and limited real rights on the other. He postulated that the owner's *dominium* could be reduced by the detraction of certain rights therefrom which he named *iura in rebus alienis*.⁶

The concept of a diminution in ownership by way of a detraction of rights therefrom was followed by **De Groot** who regarded ownership a more valuable right to those which were subtracted - such as a right of way. Full *dominium* **Grotius** termed *volle eigendom*, which became *gebreckelicke eigendom* when a *gerechtigheid* such as a right of way was granted to another by the owner. **De Groot** divided patrimonial rights into *beheering* and *inschuld*, a division which corresponds to that between real and

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4. See Van der Vyver 204. Feenstra *Ius in Re* 1-4.
 5. Feenstra *Ius in Re* 17. He states of the German jurist Apel: "Hy gebruikte geheel nieuwe methoden om het recht te beschryven, maar zijn materiaal putte hij voor een belangrijk gedeelte uit de geschriften der Postglossatoren." (at p 18).
 6. Van der Walt 174. He states: "In this way the fundamental distinction between personal and real rights on the one and and between ownership and limited real rights on the other became the basis for the modern theory of limited real rights." (at p 174); See J C de Wet "Ou Skrywers" 84-85 regarding Hugo Donellus (1527-1591).

personal rights. *Beheering* was divided in *bezitrecht* and *eigendom*.⁷

Van der Walt summarises the contribution of **De Groot** concisely as follows:

*Grotius distinguished real rights from personal rights by stressing the direct or immediate character of real rights, which are exercised without reference to any other person. A real right is, therefore, not a legal relationship that exists between two or more people with reference to a thing, but rather a relationship that exists between a person and a thing without reference to other people. It follows that limited real rights must be distinguished from personal rights that involve a thing: the first exists without reference to other people, whilst the second exists with reference to another person. This approach is directly related to the remedies for the enforcement of the two rights respectively: a real remedy is instituted against any person who is in breach of the right, because the remedy is aimed at the thing and not the person. A personal remedy, on the other hand, is aimed at and can be instituted only against a specific person, who is bound to the claimant by way of his duty of performance in terms of the creditor's right.*⁸

Regarding the Roman-Dutch authors in general he observes:

*Although a number of Roman-Dutch authors were sensitive about the fact that the Corpus iuris civilis proffers no direct authority for the distinction between ius in re and ius ad rem, and although their opinions about the number of real rights still varied, the majority of Roman-Dutch authors accepted Grotius's distinctions between beheering and inschuld and between eigendom and gerechtigheid.*⁹

Early South African authors followed the approach of **De Groot**, and of **Van Leeuwen** and **Van der Linden** who accepted

7. Van der Walt 174-176.

8. Van der Walt 176.

9. Van der Walt 176-177.

his construction.¹⁰

A number of theories have been propounded subsequently in relation to the nature and classification of private law rights in South Africa which **Van der Walt** discusses under the headings "classical theory", "personalist theory" and the theory of "subjective rights"¹¹

He observes that the "classical theory" is built upon the distinction between real rights and personal rights. The real right has a thing as its object and concerns the relationship between the thing and a subject. A personal right has a claim as its object and concerns the relationship between a subject and some other person. The real right provides the subject with direct entitlements in respect of the thing without reference to other persons whilst personal rights do not entail entitlements over objects but rather concern direct claims *inter partes*.¹²

Briefly stated, the personalist theory turns about the range of enforceability of real and personal rights. A real right is regarded absolute in that it is valid against all persons at large - "the whole world". The personal right, on the other hand, is valid and enforceable against a specific person or persons only, and is therefore relative in effect.¹³

The classification of private law rights into real and personal - absolute and relative categories - is not of

10. Van der Walt 182.

11. See Van der Walt 184-192 for a rigorous discussion and critique of each theory.

12. See Van der Walt 184-185. The name "classical theory" is a misnomer as it does not derive directly from Roman Law as is often supposed (p 184 footnote 103). This theory is distinguishable from the Joubertian theory of subjective rights in that it does not have as its central feature the dual subject-object and subject - subject relationship (see p 507 *infra*).

13. Van der Walt 186.

great utility to jurists seeking particularity about the nature of intellectual property rights in general and trade mark rights in particular. This is not to say that the distinction absolute - relative does not serve at all. For instance, the rights of the trade mark proprietor to use the mark are absolute unless he authorises use of the mark by others.¹⁴ Hence trade mark rights are, in the South African law, real in that they are "enforceable against the whole world", i.e. absolute. The theoretical justification for the application of the concept real and personal rights to trade marks seems merely to be that insofar as trade mark rights, being immaterial or intellectual property rights, are rights to property, they must be real and enforceable against all at large. Hence, it has been held that an action to expunge a trade mark registration is an *actio in rem* and not an *actio in personam*. It was held further that although an intangible or incorporeal could, depending on its nature, be movable or immovable, where it was evidenced in a written document such as a trade mark register permanently situated at a fixed place, it would be incorrect to regard it as movable. Thus, a trade mark registration is for the purposes of jurisdiction at least, immovable property situated at the seat of the Register.¹⁵

In my view, the construct given to the doctrine of subjective rights by **Joubert** and later by **Van der Vyver** is preferable for the purpose of affording the trade mark right clear definition in the South African law.

The theory of subjective rights is, therefore, given pre-eminence in this work. The most relevant aspects thereof are the following.

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14. Metal Box SA Ltd v Midpak Blow Moulders (Pty) Ltd 1988(2) SA 446(T).
 15. See Spier Estate v Die Bergkelder Bpk and another. 1988 (1) SA 94 (CPD) 98-99; Rembrandt Fabrikante en Handelaars (Edms) Bpk v Gulf Oil Corp. 1963(3) SA 341(A) 348-349; See also section 3(2)(f) of the Estate Duty Act No.45 of 1955, as amended; See Van der Vyver 234-236.

2. THE THEORY OF SUBJECTIVE RIGHTS

Joubert introduced the Dooyeweerdian doctrine of private law rights to South African legal theory - adding to it the classification of rights proposed by **Dabin**.¹⁶

The essential feature of this approach is to classify private law rights according to the nature of their object.¹⁷

2.1 *The essential relationships of the subjective right*

The subjective right evidences two essential relationships, namely, the subject-object relationship and the subject-third party relationship.¹⁸

2.1.1 *The Subject-object relationship*

This is the special relationship between the subject - the entity in whom the right vests - and the object of the right. This relationship affords the subject powers or entitlements in regard to the object which he can apply thereto, such as the power to use, enjoy and dispose of the object.

2.1.2 *The Subject-third party relationship*

This is the relationship between the subject in whom the right vests and all other legal subjects. It implies that the subject should not be disturbed by others in the legitimate application of the powers to which the

16. Joubert *Persoonlikheidsreg* 119-122; Joubert (1958) 21 THRHR 12-15, 98-115.

17. See Van der Vyver 201; Van der Merwe *Vorderingsregte uit Kontrak* 140-141.

18. This refers to the particular view of the notion of a subjective right adopted in this work, following the "Joubertian school" of commitment to the Dooyeweerdian - Dabin based adaptation of the theory of subjective rights by Joubert. See Universiteit van Pretoria v Tommie Meyer Films 1977 (4) SA 376 (T) at 381-383 discussed at p 519 *infra*. For the position of J C Van der Walt see (1990) 53 THRHR 316-329. See also A J van der Walt 1995 De Jure 43-60.

holder of the right is entitled under the subject-object relationship. There is a duty upon third parties to endure the subject's exercise of the powers to which he is entitled. A breach of this duty implies the commission of a delict.¹⁹

2.1.3 *Classification of subjective rights*

I have observed that subjective rights are classified according to the nature of the object which features in the subject-object relationship. **Dabin** distinguishes between the following four classes of legal objects discernible in law:

- 2.1.3.1 Corporeal things - both movable and immovable which exist outside of the subject: the objects of real rights.
- 2.1.3.2 Performances - claims to do or not to do - between one person and another: the objects of creditors rights.
- 2.1.3.3 Incorporeal things which exist outside of man and of which man is the creator: the objects of immaterial property rights.
- 2.1.3.4 Elements within and integral to the individual - aspects of the individuals body or psyche: the objects of personality rights.²⁰

Joubert concludes thus:

Die deurslaggewende aspek van die subjektiewe reg is die betrekking tussen subiectum en obiectum iuris. Trouens, die aard van die regsobjek, sy ekonomiese waarde en die wyse waarop dit gebruik kan word, is in h e mate bepalend vir die aard van die reg wat daarop bestaan). So moet grotendeels die verskille tussen immaterieelgoedereregte en saaklike regte (albei sg. absolute regte)

19. See Van der Vyver 211-212 regarding the essential relationships of the subjective right.

20. Dabin *Le Droit Subjectif* 83-84; see Van der Merwe *Vorderingsregte uit Kontrak* 141; Van der Vyver 224-230, particularly 228.

*verklaar word, dit is immers onmoontlik om oor 'n uitvinding prakties op dieselfde wyse te beskik as oor 'n stoflike objek soos 'n perd. En, soos ek hoop om by 'n ander geleentheid aan te toon, die verskil tussen persoonlike reg en saaklike reg is nie dat die een "'n reg teenoor 'n bepaalde persoon" is en die ander "'n reg teenoor die hele wêreld" nie, maar wel dat die een 'n bepaalde menslike handeling tot objek het en die ander 'n (stoflike) saak. Deur op hul objekte te let kan 'n mens die private subjektiewe regte ontleed en klassifiseer.*²¹

2.2 *Aspects of the subjective right*

Before embarking upon the analysis of the right to a trade mark as a subjective right it is necessary to amplify certain aspects of the subjective right relevant to that inquiry.

2.2.1 *Nomenclature: Subjective right*

The term "right" has different meanings in the English language and the term offers the South African jurist many pitfalls both semantically and in relation to Anglo-American law.²²

It is not only beyond the province of this work but unnecessary for me to embark upon a discourse regarding the term.

It is however necessary to make clear that where this work speaks of a subjective right I attribute a technical meaning to it, namely, that phenomenon in legal discourse by which is meant the dual relationships between a legal subject and a legal object and a legal subject and others with reference to the legal object which imply,

21. Joubert 115. The latin spelling is as it appears in the article.

22. See Van der Vyver 206-210.

- (a) in the first instance that the legal subject is entitled to exercise powers in connection with the legal object which are determined by its nature (the entitlements of the subject) and,
- (b) in the second, the power of the legal subject to demand and enforce non-interference with his entitlements over the legal object which others are thus required to endure.

Put another way, the subjective right is the claim of a legal subject to a legal object which entails -

- (aa) a relationship between the subject and object by virtue of which the subject is entitled to use and enjoy the object and to decide at any given time what is to be done therewith (the subject's entitlements in relation to the legal object), and
- (bb) a relationship between the subject and third parties by virtue of which the subject requires third parties to endure the exercise of his powers of entitlement in relation to the object.²³

A corollary of the requirement that third parties should endure the exercise of the subject's entitlements with reference to the legal object is that third parties have a positive duty not to impinge thereon. Thus, the subjective right can have both positive and negative aspects i.e. the legal subject has entitlements with reference to the legal object which others must endure (the positive concept of entitlements) and a negative aspect - a duty is placed upon third parties not to interfere with the application of the legal subject's entitlements to the legal object. A breach of this duty implies an unlawful infringement of the legal subject's subjective right and a delict is committed where, in addition to the infringer's unlawful conduct, the other elements for delictual liability are simultaneously

23. See Van der Vyver 214; For the sake of uniformity I shall, henceforth, adopt the term "entitlements" in preference to "powers", as suggested by Van der Vyver (at p 215); Van Zyl *Inleiding* 421.

present.²⁴

In other words, the subject can claim against other persons that they endure the exercise of his entitlements in respect of the object. Conversely, the third party may do nothing which would impinge upon or obstruct the legal subject in the exercise of his entitlements included in the particular right in question. Thus, the right of the subject in respect of the legal object implies a duty on the part of third parties not to interfere with the exercise of his entitlements. Should a third party so interfere the right is infringed and a delict is likely to have been committed.

The triangular construct, subject-object-third parties, is essential to the existence of all subjective rights. By definition, there cannot be a subjective right which does not have an object or which is exercised in limbo without a subject.

The ultimate object of this work is to establish the entitlements of the holder of the subjective right to a trade mark - in other words - to define the powers of the holder of this right.

It is suggested that such entitlements, when appropriated or impinged upon by another, will lead to an infringement of the right.

An analysis of the entitlements reveals that the positive aspect of the trade mark right has been neglected. One of the entitlements of the trade mark right is to use the mark exclusively in relation to the goods or services in respect of which - in the case of a registered mark - it is registered. This is a positive entitlement which traditional approaches in trade mark

24. See Van der Vyver 211-212.

law have largely ignored because the concept of property in trade marks - which implies the application of a trade mark in the positive sense as property to be used - has been resisted throughout the history of trade mark law in the Anglo and American systems. The concept that the public must not be confused or deceived by the use of a mark - that the public interest rather than the proprietor's interest is protected by trade mark law - has predominated. As a consequence, the confusion standard has predominated, as has been noted. From the point of view of functional theory it is the origin function and the guarantee function (as an aspect of the latter) which has predominated because trade mark law protects the public from confusion in connection therewith. Hence, also in South Africa, the trade mark right has taken on a negative orientation, following the Common Law model. Thus, in regard to a registered trade mark, there is a duty upon third parties not to use the mark or a confusingly or deceptively similar mark *inter alia* in relation to the registered goods or services.

Given a positive orientation, however, the application of the confusion standard should rather provide the limits within which the registered trade mark right may be positively exploited: the right holder's entitlements or powers may not be applied in such a way as to bring about public confusion or deception when the mark concerned is dealt with.

With the possible exception of the new dilution provisions in regard to well-known marks, the statutes have, from the beginning, been silent or even prohibitive in relation to positive applications of the trade mark such as applying it in advertising or realising its merchandising potential. It is in this context, where the positive nature of the trade mark right is explored, that a consideration of the entitlements of the holder of the trade mark right in relation to its object - the trade mark - takes on

considerable importance. This is especially so in relation to the common law trade mark. For this reason, clarity must be established regarding the concept of entitlements, which is discussed briefly in the following paragraph.

2.2.2 *The entitlements of a subjective right*

The content of a subjective right is to be found in its entitlements. The entitlements comprise that which the holder of a subjective right can do with or in regard to the legal object of his right pursuant to the fact that he is the holder of the right.

Thus, by way of example, the owner (the holder of a right of ownership) of a corporeal movable will be empowered in terms of the entitlements of the subjective right of ownership to possess the object, to use and enjoy it, to transfer or alienate it, to abandon or destroy it or to do whatever else he likes with it subject to the stricture that his conduct with reference to the object must be lawful. Entitlements are, therefore, normative. They are not congruent with all those things a legal subject can physically do or have done in regard to the object but correspond with what the legal subject is entitled to do - what is legally appropriate for him to do - in respect thereof.²⁵

2.2.3 *Subjective rights in the Common Law*

It has been established that the South African law of trade marks is underpinned by the law of trade marks of the United Kingdom and guidance can be sought from American law where the common law of South Africa is

25. See Van der Vyver 212-213.

silent.²⁶ Some consideration must, therefore, be given to the concept of subjective rights in the Common Law.

I have indicated earlier that in the Anglo and American common law systems, trade marks are regarded as appurtenant to goodwill and do not feature as property in themselves. I have also observed that some hold the view that a registered trade mark is property *sui generis*.²⁷

The concept of a subjective right is not known to the Common Law. **Samuel**, in his article concerning *Le Droit Subjectif* and English Law, for the want of a more suitable example, proceeds on the basis that: "The subjective right is a term corresponding to an "individual prerogative" in the legal subject." He regards it "a power which the individual (legal subject) can exercise against another person or over a thing (legal object)".²⁸

He concludes:

*In both public and private law the litigant in the English legal system must always behave like the plaintiff in a tort claim: he or she can certainly assert that they have in such or such a situation an action against some public or private body - and they can probably assert that they have a "legitimate interest" or "expectation". What they cannot claim is a right to the actual substance, or object, of the action itself - they cannot claim a right, as a citizen, to succeed. In other words, for better or for worse, the concept of le droit subjectif has little relevance in English law.*²⁹

To compound the difficulty in reconciling the underlying concepts of the Common Law with European theory is the difficulty the British system has with the concept of "property" in intangibles. This aspect has already been

26. See chapter 10 p 230-231 *supra*.

27. See p 83, 220 *supra*. See also p 607-608 *infra* regarding sections 2(1) and 22 of the 1994 UK Act.

28. Samuel 46(2)[1987] C.L.J. 264-286 264-265.

29. Samuel 286.

addressed at length elsewhere.³⁰ In regard to the topic **Libling** writes:

*Historically, property has meant land and interests in land. Property in chattels has been recognised from the earliest times, but the importance of chattels had not become great till the nineteenth century. The first recognition of property rights in intangibles appears to have been in the sixteenth century and was well established in relation to copyright early in the seventeenth century. Common law recognition of property rights in intangibles waned as statutory control was extended over copyright, patents and trade marks. However, it is worth while to remember that copyright is not a creature of the legislature curing a defect in the common law, but, on the contrary, statutes have often cut down the protection afforded by common law.*³¹

The author finds that intangibles are much like chattels at first glance but further scrutiny reveals that they cannot be owned in the same way as chattels or land can, intangibles cannot be held, moved or possessed. Therefore, intangibles cannot be property in the same manner as chattels or land. Nevertheless, a person can "own a right to the commercial exploitation of an intangible". **Libling** proposes:

*Any expenditure of mental or physical effort, as a result of which there is created an entity, whether tangible or intangible, vests in the person who brought the entity into being, a proprietary right to the commercial exploitation of that entity, which right is separate and independent from the ownership of that entity.*³²

Libling's review of Anglo-American decisions however affords little support for his proposition.³³

30. See p 206-214 *supra*.

31. Libling 94 [1978] L.Q.R. 103 -119 103.

32. Libling 104.

33. See Libling 103-119. See also p 212-215 *supra*.

Despite that the doctrine of subjective rights is not part of the Common Law and the concept of property in intangibles (including trade marks) is not clearly established therein, it is not imperative for this work to sever all conceptual ties with the existing Common Law as my investigations proceed. The essential focus of the remainder of this chapter will be the content of the subjective right to a trade mark in the South African law and the protection the right affords. In regard to this endeavour, the following should be borne in mind.

I have already drawn attention to the fact that European Community law will henceforth exercise a great influence over the law of trade marks in the United Kingdom directly through the impact of the Directive upon the Trade Marks Act, 1994 and through the Regulation and jurisprudence of the ECJ in the future. Although Community law is civil law based it bears little resemblance to the civil law of South Africa. Insofar as the trade mark law of the United Kingdom has perforce made a radical break with the past in that the Trade Marks Act, 1994 is not a response to Common Law evolutionary processes but pursuant to EU obligations, there is no justification for the conclusion that the South African trade mark law of the future will be but a reflection of future developments in the United Kingdom. Ideally, South African law will, now more so than in the past, itself provide sound solutions consonant with the international trend towards the modernisation of trade mark law.

It is clear from the discussion regarding the object of a legal right by **Devine** which is derived chiefly from the writings of the Common Law authorities, **Holland**, **Paton**, **Salmond** and **Austin**, that the concept that a legal right has an object and content determined according to

the nature of the right is known to the Common Law.³⁴

Furthermore, **Salmond** postulates a classification of the objects of rights - and accepts that intellectual objects can be the objects of rights just as material objects are. Thus, intellectual property including trade names and goodwill feature as objects of rights according to **Salmond**.³⁵

According to **Paton**, there are four elements in every legal right:

*(1) The holder of the right; (2) the act or forbearance to which the right relates; (3) the res concerned (the object of the right); (4) the person bound by the duty. Every right, therefore, involves a relationship between two or more legal persons, and only legal persons can be bound by duties or be the holders of legal rights.*³⁶

Devine points out that **Paton's** elements correspond with the first four of **Salmond's** elements. **Salmon** imposes a fifth element that there must be a title which gives rise to the right.³⁷

Regarding the third element **Devine** writes:

*There must be content of the right. This comprises obligatory acts or omissions which are incumbent on the subject of the duty. Austin too accepts that there must be content in a right when he says that a right is created when "a person or persons are commanded to do or forbear ...". Holland describes one of the elements of a legal right as "the act of forbearance". This is obviously the content of the right. The holder of the right enjoys the benefit of the compulsion imposed upon the subject of the duty.*³⁸

34. See Devine 1965/1966 Acta Juridica 113-122 113-118.

35. See Devine 115-116.

36. Paton *Jurisprudence* 284-285.

37. Devine 113-114.

38. Devine 113.

Devine adds by way of footnote:

*In addition, of course, the holder of a right may enjoy innumerable liberties and powers which are incidental to the right. These liberties and powers must be carefully distinguished from the content of the right, of which they do not form a part.*³⁹

Thus, there is no congruency between the approach to subjective rights which this work adopts in relation to trade marks and the concept of rights in English jurisprudence. Nevertheless, the matters with which I proceed - the object of the trade mark right and its content - are not concepts which are an anathema to the jurists of the Common Law.

Van der Vyver draws an apt distinction:

*As far as English law is concerned, failure to distinguish between "right" in the sense of the claim of a legal subject to a legal object, and "right" in the sense of being legally entitled to deal with a legal object within the confines of a right, goes deeper than mere imperfections of language. The English legal system is not founded upon or conditioned by the notion of rights. Whereas Roman private law was a system of actions and Roman Dutch law developed into a system of rights, English law can be said to be a system of duty. The basic difference between a rights - oriented and a duty - oriented system is clearly reflected in emphases, and also in the vocabulary of the legal dispensations in question.*⁴⁰

Ultimately, for the conclusions arrived at in this thesis, it is the difference between the specific-tort system of remedies of the Common Law and the Aquilian system of delictual remedy in the South African system which is most significant.

39. Devine 113 footnote 10.

40. Van der Vyver 217.

2.4 Judicial acceptance of the doctrine

In **Universiteit Pretoria v Tommie Meyer**⁴¹ Films, Mostert J stated:

In die regsvergelykende werk wat deur Suid-Afrikaanse akademici gedoen is, is veral aansluiting gevind by die kontinentale regswetenskap van die afgelope 150 jaar; dit is waarskynlik geen toevalligheid nie as in gedagte gehou word dat die kontinentale regstelsels, soos ons eie, geskiedkundig diep in die Romeinsregtelike sistematiek en begrippeleer gewortel is.

Die moderne Vastelandse teorie oor subjektiewe regte onderskei tussen regte op aspekte van die menslike persoonlikheid (die sogenaamde persoonlikheidsregte) en regte op objekte geleë buite die menslike persoonlikheid. Hierdie ander regte is die saaklike regte (met as objek sake), vorderingsregte (met as objek menslike prestasie) en immaterieelgoedereregte (met as objek die immateriële produkte van die menslike gees waaraan 'n uiterlik waarneembare vorm verleen is.)

Tot hierdie moderne leer en veral die onderskeid tussen persoonlikheidsregte en die ander regte, het die leer van die subjektiewe reg veel bygedra (sien die proefskrif van prof. W.A. Joubert, Grondslae van die Persoonlikheidsreg (1953), bl. 13).

Sover ek kon vasstel, is die begrip van die subjektiewe reg vir die eerste keer in 1953 met enige mate van besonderheid in die Suid-Afrikaanse regswetenskap deur prof. Joubert in sy voormelde proefskrif behandel. In 1958 lig hy dié onderwerp verder toe in 'n artikel onder die opskrif "Die Realiteit van die Subjektiewe Reg en die Betekenis van 'n Realistiese Begrip daarvan vir die Privaatreg". T.H.R.H.R. (1958), bl. 12. Sedertdien is die begrip gebruik in

41. Universiteit van Pretoria v Tommie Meyer Films (Edms) Bpk 1977(4) SA 376(T).

meerdere proefskrifte (dr. H.J.O. van Heerden, Grondslae van die Mededingingsreg (1961); dr. N.J. van der Merwe, Die Beskerming van Vorderingsregte uit Kontrak deur Aantasting deur Derdes (1959); Risiko-aanspreeklikheid uit Onregmatige Daad (1974), deur prof. J C van der Walt; Die Reg op Privaatheid (1976), deur dr. J Neethling, om net 'n paar te noem). Die begrip is ook deur verskeie skrywers behandel of gebruik (Die Onregmatige Daad in die Suid-Afrikaanse Reg deur Van der Merwe en Olivier, 2de uitg., bl. 56; Regsleer. Regswetenskap. Regsfilosofie (1973), deur prof. Van Warmelo; Inleiding tot die Regswetenskap (1972), deur Van der Vyver en Van Zyl.)

In hierdie uitspraak is dit nie doenlik om die begrip subjektiewe reg in besonderheid te behandel nie. Die volgende aanhalings bevat 'n voldoende omskrywing van die begrip vir doeleindes hiervan.

"Juis omdat onregmatigheid privaatregtelik geleë is in die skending van 'n subjektiewe reg, is dit nodig dat 'n paar aspekte van hierdie kardinale begrip goed onder die knie gekry word. Teenoor die reg in objektiewe sin as normkompleks staan die reg in subjektiewe sin as verhouding. By die subjektiewe reg word met 'n tweërlei verhouding te doen gekry. Eerstens is daar die verhouding tussen die regs subjek as reghebbende en alle ander regs subjekte as partye wat verplig is om eersgenoemde se reg te eerbiedig - daarop nie inbreuk te maak nie.

Tweedens bestaan tussen die reghebbende en sy regsgoed 'n subjek-objekverhouding. Die verpligting wat op derdes rus om nie op die regsgoed van 'n ander in te werk nie, spruit juis voort uit die regs betrekking wat tussen die reghebbende en die voorwerp van sy reg bestaan. Ook die algemene spraakgebruik dui op die tweeslagtige karakter van die subjektiewe reg. So word dan gepraat van 'n reg op my saak wat ek teenoor alle ander regs subjekte kan handhaaf. Trouens, betrokkenheid op 'n regsgoed is by uitstek die kenmerk van die subjektiewe reg. Inderdaad is dit ook so dat die karakter van 'n bepaalde kategorie subjektiewe reg in 'n hoë mate bepaal word deur die aard van die betrokke regsobjek. Byvoorbeeld, die verskil tussen die saaklike reg van die eienaar en die immaterieelgoederereg van die outeur word grotendeels bepaal deur die feit dat die eienaar

bevoegdheid ten opsigte van 'n stoflike, fisies hanteerbare saak het, die outeur daarteen 'n reg ten aansien van 'n onstoflike geestesproduk. Kortom, vir 'n insig in die subjektiewe reg is dit noodsaaklik om kennis te neem van die verskillende kategorieë regsgoedere wat volgens hedendaagse regsbeskouing objek van reg kan wees."

(Bl. 56 en 57 van Van der Merwe en Olivier, Onregmatige Daad in die Suid-Afrikaanse Reg.)

Die volgende uittreksel uit die proefskrif van dr. Van der Merwe dui op die belangrikheid vir die regswetenskap van die begrip subjektiewe reg.

"Die allesoorheersende vraag is hierby: waarin is die onregmatigheid van die dader se optrede geleë? En hierdie vraag hang weer, ten spyte van groot verskil van mening omtrent die wese van onregmatigheid, ten nouste saam met die vraag na die aard van die benadeelde se subjektiewe reg.

Hoe uiteenlopend ook die menings oor die wese van onregmatigheid, is 'n betreklik verbrede opvatting dat die onregmatigheid van 'n handeling minstens ten dele geleë is in die aantasting van 'n ander se subjektiewe reg. Om te kan bepaal in hoeverre hierdie beskouing gehandhaaf kan word, is dit noodsaaklik om eers 'n beeld te verkry van die subjektiewe reg self - daardie kardinale aspek van die reg, die wetenskaplike behandeling waarvan 'n belangrike hoofstuk in die geskiedenis van die regswetenskap van die afgelope 150 jaar en meer beslaan."

(Sien Van der Merwe, Vorderingsregte, supra te bl. 138-139.)

Van belang en nuttig is prof. Joubert se klassifikasie van regte na aanleiding van die regsobjek. (Joubert, Subjektiewe Reg, bl. 113.)⁴²

Following upon this the learned Judge goes on to say:

42. At p 381-382.

*Gevolgtlik karakteriseer ek die eerste probleem in hierdie saak soos volg: skend die vertoning van die respondent se film 'n subjektiewe reg van die applikant?'*⁴³

In this way the Joubertian adaption of the doctrine of subjective rights obtained judicial recognition in South Africa. On appeal to the Appellate Division, the matter was decided upon the facts without further judicial comment regarding the doctrine of subjective rights.⁴⁴

2.4.1 *The doctrine of subjective rights and immaterial property rights*

Van der Vyver defines immaterial property rights thus:

*[T]he intangible expression of human skills, or inventions of the human mind, embodied in an tangible agent and which are by law allotted to their author (such as the ideas expressed in a poem, novel or academic dissertation, the design of a building or a piece of furniture, a patent, the registered colour arrangement of a university blazer or the emblem of a sports club, a trade name or trade mark, goodwill of a business, the exchange value of money, etcetera). The rights to immaterial property (for instance, copyright, patent right, the right to a trade mark or trade name, etcetera) are called immaterial property rights, and the acquisition, contents, transfer and termination of immaterial property rights are governed by immaterial property law.*⁴⁵

43. At p 383.

44. Universiteit Pretoria v Tommie Meyer Films (Edms) Bpk 1979(1) SA 441(A); Van der Walt (1990) 53 THRHR 316-230 has suggested an adjustment to the theory of subjective rights to one of subjective relationships in that the *mandament van spolie* is an acknowledged remedy which does not entail the infringement of a subjective right. In his view this remedy provides the framework of stability and security at the heart of property law which enables the system of real rights to function: "The essential function of the mandament van spolie is important enough to merit a fundamental reappraisal of the doctrine which fails to accommodate it, rather than to sidetrack the remedy in order to save the integrity of the doctrine." (at p 329).

45. Van der Vyver 231. I have used the term intellectual property rights for the most part. The term immaterial property rights is also technically suitable in regard to trade mark rights. The trade mark right is a *species* of intellectual property right (according to modern nomenclature) which resort under the *genus* immaterial property rights.

It is to be noted that the classification of **Dabin** is not to be regarded as a *numerus clausus* of subjective rights. Thus, **Neethling** has persuasively suggested a category of legal objects termed personal intellectual property.⁴⁶ It is my view that trade marks are too easily categorised with other intellectual property such as patents, copyright and design to which they bear little resemblance. The proposition of **Van Zyl** that the object of a right is never a concrete thing or act as such but rather always some aspect thereof is in my view particularly well founded in regard to the trade mark as object. This is so because the entitlements of the holder of the trade mark right are to be found in the functions which trade marks fulfil - which are aspects of the trade mark.⁴⁷

3. KOHLER

I have recorded that in this thesis intellectual property rights are regarded as a category of subjective rights alongside real rights, personal rights (claims) and personality rights, following **Dabin**. Insofar as it has been stated that subjective rights are classified with reference to the legal object at which the right is directed, intellectual property rights are identifiable and distinguishable from other subjective rights in that the legal object thereof is an intangible product of human mental activity with an economic value or potential which is discernible and exists outside and independent of the body or psyche of any person.⁴⁸

The proposition that the object of an intellectual property right must have economic or patrimonial value is

46. See Van der Vyver 231-233.

47. See Van der Vyver 229-230; Van Zyl *Inleiding* 412-419.

48. See du Plessis - Statutêr beskermde immaterieelgoedereregte en onregmatige mededinging (veral prestasie aanklamping) 89-113 in Neethling (ed) *Onregmatige Mededing* 89-90.

questioned by **Van Zyl**.⁴⁹ This is not, however, an issue in trade mark law as trade marks clearly have economic significance and the trade mark milieu is trade.

That trade mark rights exist outside of the human personality has not always been universally accepted. According to **Kohler**, the trade mark right is a right of personality.⁵⁰ This led **Kohler** to suggest the "principle of unity and universality of trade mark law" in regard to which he wrote:

[T]rade mark law, as the law of personality, is, like all laws of personality, bound in its validity and manifestation within no local limits, since in theory the individual can assert the rights of an individual for all his actions, not only for those taking place within a particular legal region. The spiritual strength of the person is not locally limited, and the right to recognition is therefore a right which should not be tied to boundaries.

He goes on to say:

*If the mark characterises the origin of goods from a certain producer, one cannot grant or deny protection to the mark according to whether the goods were produced domestically or abroad.*⁵¹

The realities of modern commerce clearly vitiate at least that aspect of **Kohler's** theory which holds that the right to a trade mark is a personality right.

4. THE DUAL NATURE OF INTELLECTUAL PROPERTY RIGHTS

According to **Du Plessis**, intellectual property rights

49. Van Zyl *Inleiding* 409-410.

50. Kohler *Recht des Markenschutzes* 446. See van Heerden & Neethling *Mededingingsreg* 117-118.

51. Kohler *Recht des Markenschutzes* 442, 412-413, 423. See the discussion by Hiebert *Parallel Importation* 29-31. Translations from the German are Hieberts'.

exhibit a duality arising from the fact that rights of this kind can be divided into two groups. This grouping is not with reference to their nature - but to the source from which they originate and obtain protection, namely, under statute or under the common law. The first category includes intellectual property rights such as patents, trade marks, design, copyright and plant breeder's rights whilst goodwill features as the single generally accepted example of the second category.⁵²

It is, however, my intention to show that as a general proposition, the foregoing does not serve for trade mark rights which are derived from both sources. In this I am in accord with **Van Heerden & Neethling** when they propose that all the distinguishing signs of an undertaking must be recognised as the object of an intellectual property right.⁵³

Registration is not a *sine qua non* for the constitution of a distinguishing sign as the object of a subjective right. In modern trade mark law trade marks are signs of various kinds capable of distinguishing product.⁵⁴

Registration facilitates the protection thereof but is not the only source or means of protecting trade marks.⁵⁵ This has always been the common law position as the historical overview provided by the earlier chapters of this work has established.

52. Du Plessis 90.

53. See Van Heerden & Neethling *Onregmatige Mededinging* 96-98. I propose that this suggestion must be taken to its proper conclusion - modern trade mark law has become the law of distinguishing signs whether they are registered as trade marks or not.

54. See p 529 *infra*.

55. See for example *Pepsico Inc (and ors) v United Tobacco Co Ltd* 1988(2) SA 334 (W) (the Ruffles case.) The court afforded protection to an unregistered mark where it had acquired a reputation by "pre-launch demonstration" on the basis of unlawful competition and passing-off.

In my view, therefore, modern trade mark law, congruent with its historical foundations, has largely become the law of distinguishing signs of which the registered trade mark is a speciality.

Trade marks are, therefore, a very different kind of property from those intangible products of the human mind which derive their legal existence from statute alone.

The suggestion that the analogy between trade mark law and patent and copyright law is more supposed than real is not new. **Kohler**, for instance, was of the view that trade mark and other intellectual property rights such as patents, are largely different. He based the distinction, however, upon the untenable premise that trade mark rights are personality rights. **Kohler** is, however, correct in stating that the modern law of patents for inventions is to be found only in statute.⁵⁶

The true distinction lies herein that after its adoption and use, a distinguishing sign, as the **Ruffles** case has recently shown, is protectable at common law - without registration - if it has achieved a protectable status through use of a kind which vests a right therein.⁵⁷

Du Plessis, building upon the proposition that intellectual property rights fall into one or two categories depending upon whether they derive from a statutory or common law source, suggests that there is not an established *numerus clausus* of intellectual property rights in either category.⁵⁸ In regard to trade mark rights I believe the position to be as follows.

56. See: Hiebert *Parallel Importation* 30-31. It must be mentioned that although no longer the case copyright in England was initially protected under the common law and first recognised during the 17th century; Libling 103.

57. See p 565-566 *infra* for the circumstances in which this occurs.

58. Du Plessis 90-92.

The source of trade mark rights is to be found both in statute and in the common law. Indeed, the historical investigations of this work clearly reveal that until the historical break constituted by the enactment of the Trade Marks Act, 1994, statutory trade mark protection in the trade mark law of the United Kingdom (which has provided the bedrock of the South African law of trade marks) has largely been a gloss upon the common law edifice of trade mark law. The position is the same in the trade mark law of the United States, the dilution statutes excepted.

I believe **Du Plessis** provides an apt summation of the status quo regarding the protection of intellectual property rights at the interface between the recognised and legally protected categories of rights of this kind and the protection afforded by law to the new or previously unrecognised categories or aspects of such rights which are in need of legal protection:

Die samehang tussen the statutêre en die gemeenregtelike immaterieelgoedereregte kan waargeneem word by aantastings van onstoflike regsgoedere in sommige grensgevalle, waar beskerming geverg (en somtyds verleen) word in die praktyk, en waar dit om die een of ander rede nie 'n duidelike geval van inbreuk op 'n statutêre immaterieelgoederereg is nie. As daar in so 'n geval 'n duidelike onregmatige aantasting van die werfkrag, en dus onregmatige mededinging, is die grondslag vir regshulp duidelik. 'n Probleem ontstaan egter waar daar, om die een of ander rede, nie 'n aantasting van die werfkrag plaasvind nie (byvoorbeeld omdat daar nie 'n mededingingsituasie bestaan nie) of waar die aantasting nie binne een van die geykte klasse van onregmatige inwerkings op die werfkrag val nie.

Ten einde in sulke gevalle regshulp te verleen wat op billikheidsgronde verdienstelik is, moet die howe soms poog òf om 'n wyer interpretasie aan die omvang van 'n statutêre reg te gee, òf om nuwe, wyer kriteria vir die vasstelling van onregmatigheid neer te lê, of om 'n gans ander grondslag vir regshulp te vind.

*Die vraag wat telkens by 'n beskouing van hierdie grensgevalle ontstaan, is of the regsorde op die huidige tydstip oor die nodige regsmiddels beskik om in al die gevalle waar beskerming nodig en geregverdig lyk, inderdaad die gevraagde regshulp te verleen op 'n grondslag wat duidelik geïdentifiseer en bevredigend gefundeer kan word. En verder, of prestasieaanklamping moontlik die ideale regsmiddel bied om vir hierdie gevalle voorsiening te maak.*⁵⁹

Du Plessis is led to conclude that the field of immaterial property law is fragmented and at the present time it can only be regarded certain that an intellectual property right will qualify for legal protection if it falls within one of the established statutorily delimited classes of intellectual property or within the limits of protection afforded to goodwill at common law.⁶⁰ With reference to trade marks, this conclusion would limit protection to marks registered under statute and to goodwill in the business in the goods or services in connection with which a particular trade mark is known and to which, according to the traditional approach, the trade mark is appurtenant.⁶¹

I am of rather the view that when the subjective right to a trade mark is fully considered it becomes clear that trade marks are to be afforded common law protection under the general principles of the *actio legis Aquiliae* aside from the available statutory protection without restricting the relief obtainable to that available under the species of Aquilian liability known as unlawful competition. The delict lies in the unlawful interference with the entitlements of the holder of the trade mark right - a subjective right of immaterial property which has the trade mark as its object. The entitlements provided by this object are revealed by the functions which trade marks perform.

59. Du Plessis 92-93.

60. See Du Plessis 100.

61. See Du Plessis 100.

5. TRADE MARKS AS DISTINGUISHING SIGNS

When one reflects upon the signs used by man throughout human history and the significance of signs in the religions of man and in human psychology in particular, it is apparent that symbols play an essential role in human life and this has always been so. The flag of a nation, the religious cross, the badge on a blazer and the birth sign of an individual afford examples. In relation to the world of trade and commerce it is the trade mark - the distinguishing sign of the undertaking and of product- which is the relevant symbol.

The discussion of distinctive marks by **Van Heerden & Neethling** affords a substantial contribution to the clarification of the nature of trade mark rights which this work seeks to provide. According to **Van Heerden & Neethling**, there are two groups of distinguishing signs which are utilised in connection with an undertaking. Distinguishing signs of the first kind, such as the trading name of the undertaking, individualise the undertaking as a whole.⁶² This applies also to the

62. See Van Heerden & Neethling *Mededingingsreg* 58-59 (and particularly footnotes 49 and 50). In the 1983 edition of their work, the authors refer to "onderskeidings tekens" - distinguishing signs. In the revised English edition of the work published in 1995 (Van Heerden & Neethling *Unlawful Competition*) the authors refer to "distinctive marks". It is not necessary to embark upon a debate in regard to this terminology. Both terms are appropriate. I shall maintain the term "distinguishing sign" in view of the pre-eminence which this thesis affords to trade mark functions - amongst which the distinguishing function is invariable. Where I refer to the views of the authors, however, I shall refer to "distinctive marks" - which emphasises that essential feature of distinguishing (cont)

"flagship" mark of the enterprise.⁶³ Distinguishing signs of the second kind such as its trade marks, service marks, packaging and product get-up individualise the goods or services of the undertaking.⁶⁴

In considering function, the authors suggest that the prime function of the distinctive marks of an undertaking is to distinguish the performances of the undertaking from the similar competitive performances of others. In the sense that the distinctive marks of an undertaking afford the undertaking and its products a name, the undertaking and its products are individualised and therefore distinguished by its distinctive marks.⁶⁵

The authors recognise the origin function of distinctive marks. According to the authors, the effect of a distinctive mark is to lead consumers to the conclusion that performances connected with the same marks emanate from the same source, which need not, however, be an identified source. The advertising function is also recognised.

The authors regard the functions which distinguishing

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62. (cont) signs known as "distinctiveness". I seek to avoid confusion between distinctive signs and registered trade marks (a species thereof) in regard to which "distinctive mark" is a term of art. The function of distinguishing and the characteristic of distinctiveness are aspects of the same concept; see also Van Heerden & Neethling *Unlawful Competition* 106-107.
63. Flagship makes sum up the enterprise and encapsulate all of its activities in a single symbol.
64. See Van Heerden & Neethling *Unlawful Competition* 107.
65. See Van Heerden & Neethling *Unlawful Competition* 107. This "individualising" is an aspect of the identification function. I have shown that although often closely linked the identification and distinguishing functions are not invariably linked. Marks can distinguish without an identification. (see p 461 *supra*) .

signs fulfil as more or less autonomous. It is important, in my view, that **Van Heerden & Neethling** perceive passing off involving a distinctive mark as an interference with function. The authors suggest that in a passing off scenario involving the deceptive use of marks it is not only the distinguishing function but also the origin and advertising functions which are usually affected. On the other hand, where the conflict is outside of the competition struggle, in the sense that there is no common field of competition present, the origin and advertising functions play an autonomous role separate from the distinguishing function and it is the origin and advertising functions which are impinged upon and not the distinguishing function.⁶⁶

In my view, it must necessarily follow that the unlawful interference with any particular function of a trade mark is an infringement of the trade mark right. An impingement upon one aspect of the functional matrix does not, however, necessarily mean that all aspects of functioning are being interfered with. In order to discern the presence of an infringement the aspect of the matrix involved - the particular function or functions impinged upon - must be identified.

6. *DISTINCTIVE MARKS AND GOODWILL*

The distinctive marks of an undertaking are important in the formation of goodwill in connection with its business. Marks, as discussed earlier, individualise the products of the undertaking and render it possible for consumers to distinguish the products of the

66. See Van Heerden & Neethling *Onregmatige Mededinging* 58-59, footnote 50.

undertaking from those of others. The mark provides the consumer with something to associate with the undertaking and its products, about which goodwill can then accrue. In this regard, **Van Heerden & Neethling** recognise that a distinctive mark can have an attractive force of its own because of its appealing nature. The question then arises whether a distinctive mark can be the object of a separate right independent from the goodwill of the undertaking. According to the authors, the answer is obtained by clarifying the nature of the object of the right concerned. This is the central enquiry of the thesis. In conducting this enquiry, according to **Van Heerden & Neethling**, it is essential to perceive that the right which a holder has in relation to the distinctive mark is not a right to the symbol itself but to the distinguishing value thereof in relation to the product concerned.⁶⁷

I suggest the essence of the matter is this. When a sign functions to distinguish the products of an enterprise, an element of the content of the holder's right to the mark is revealed. The holder of the right is entitled to apply the distinctive mark to his enterprise and its products in order that they might be distinguished from the products of others. It follows that the holder of the right is entitled to exclude others from using the mark upon or in relation to their enterprise or product because, if they were entitled to do so, the sign concerned could no longer distinguish enterprises or the products of one enterprise from those of another. Therefore, an unlawful interference with the distinguishing function of a sign infringes the right to the sign. This is my construction of the infringement of a trade mark right where the distinguishing function is disrupted. Interferences with other functions give rise to infringements as well

67. Van Heerden & Neethling *Onregmatige Mededinging* 60.

which must be established, as a fact, with reference to a disruption of the particular function or functions concerned.

Van Heerden & Neethling write as follows in relation to these matters:

In die Engelse en die Amerikaanse reg word veelal aangevoer dat 'n ondernemer wel op sogenaamde tegniese handelsmerke - dit wil sê woord- of beeldmerke wat "fanciful, arbitrary, unique, non-descriptive" is - regte kan verkry, maar nie op beskrywende woorde, die vorm van houers, kleurkombinasies, ensovoorts nie. 'n Ondernemer sou byvoorbeeld nie 'n reg op die merk "American Ball Blue" kan hê nie want, so lui die argument, hierdie woorde is beskrywend en behoort tot die "public domain". Word hulle deur 'n ondernemer toegeëien, kom dit daarop neer dat die taal verarm word. Hierdie beswaar berus natuurlik op 'n misverstand. Erken 'n mens 'n reg op die onderskeidingsteken, beteken dit hoegenaamd nie dat die woord, die beeld of wat ook al aan die ondernemer "behoort" sodat alle ander van die gebruik daarvan uitgesluit is nie. Ook in die geval van tegniese handelsmerke - byvoorbeeld "Mazawati"-schoenpolitoer - verkry die ondernemer nie 'n reg op die kunswoord as sodanig nie, maar wel op die onderskeidingswaarde daarvan in verband met sy produk.

Dieselfde kan ten aansien van alle onderskeidingstekens gesê word. 'n Mens het nie 'n reg - as daar wel van 'n reg sprake is - op beskrywende woorde of die aankleding van ware nie, maar wel op die onderskeidingswaarde daarvan in verband met die produkte of onderneming wat hulle individualiseer. Daarom kom dit ook volkome ongegrond voor om 'n reg op 'n "tegniese" handelsmerk te erken, maar nie regte op ander merke, die verpakking van ware of

*handelsname nie. Al hierdie onderskeidingstekens dien dieselfde doel, naamlik die individualisering van 'n produk of 'n onderneming en besit ook almal in mindere of meerdere mate onderskeidingskrag. Is die onderskeidingswaarde van 'n "tegniese" merk objek van 'n reg, dan sekerlik ook die onderskeidingswaarde van elke ander onderskeidingsteken. Word hierteen opgewerp dat die verpakking van ware of die beskrywende merk nie noodwendig onderskeidingskrag het nie, is - soos reeds hierbo aangedui - die eenvoudige antwoord dat hulle dan geen onderskeidingstekens is nie.*⁶⁸

In other words, one must be wary of the Anglo-American approach which would grant trade mark rights to technical marks, which are distinctive *per se*, as opposed to non-distinctive marks, (e.g. descriptive words which fall in the public domain), if it is reasoned that in the latter case, the grant of rights in the descriptive words remove them from the language and thereby deprive others from using them - which is not the case with technical marks. This construct rests upon the misconception that recognition of a right affords the holder thereof "proprietaryship" or "ownership" of the sign itself, which excludes all others from use thereof. The distinction is relevant only insofar as it relates to whether the mark in question can function as a distinctive mark or not. The holder of the right has exclusivity in relation only to the distinguishing value of the mark when used in connection with the product. Thus, the right does not fall upon the distinctive word or get-up of goods, but upon the distinguishing value they have in connection with the product or undertaking which they individualise and so distinguish. In this sense, the distinction between technical marks and the grant of trade marks rights therein to the exclusion of other marks, is unfounded. All distinctive marks serve the same purpose - to distinguish and individualise the undertaking or product: where signs are non-distinctive they cannot be distinguishing signs and no right based upon their ability to distinguish can arise.

It has been said that for a distinctive mark to be the object of an independent right it must be autonomous and

distinct from the goodwill and other components of the undertaking. Insofar as marks can be assigned independently from the other components of an undertaking no difficulty arises. As far as goodwill is concerned, however, the situation is different because a close relationship exists between an undertaking's marks and its goodwill. According to **Van Heerden & Neethling** marks are the substrate upon which the goodwill of the undertaking rests and are an important means through which the goodwill is developed. Nevertheless, the authors posit that a certain independence is possible and must be recognised:

Hiermee is nog nie gesê dat die onderskeidingstekens selfstandig teenoor die werfkrag van 'n onderneming staan nie. Inderdaad bestaan daar tussen hulle die nouste verband. Indien die onderskeidingstekens enkele jare na die verval van die onderneming as ekonomiese eenheid nog waarde het, beteken dit noodwendig dat die werfkrag deur die onderneming geskep, nog bly voortbestaan. Die onderskeidingstekens is dan juis die substrate waarop die werfkrag berus. Ook wanneer die ondernemer 'n onderskeidingsteken aan 'n ander oordra, dra hy noodwendig tegelykertyd die werfkrag wat hy geskep het - of 'n deel daarvan - oor. Wanneer dus, soos so dikwels in die Engelse en die Amerikaanse reg, gesê word dat 'n onderskeidingsteken "a symbol of goodwill" is, is dit nie verkeerd nie, maar ewemin is daarmee die volle waarheid vertel. 'n Onderskeidingsteken is veel meer as net 'n simbool van werfkrag. Dit is, soos reeds aangedui, 'n belangrike faktor in die vorming van werfkrag en kan uiteindelik die enigste substraat wees waarop die werfkrag berus. Dit is 'n eenvoudige feit dat die individualisering van 'n onderneming of die ware daarvan 'n voorvereiste vir die skepping van werfkrag is. Hoe innig dan ook al die samehang tussen werfkrag en onderskeidingstekens, kan 'n sekere selfstandigheid van laasgenoemde teenoor eersgenoemde nie weggeredeneer word nie.

The authors go on to say:

Die onderskeidingsteken kan nie bloot met "goodwill" - of dan werfkrag - vereenselwig word of 'n simbool daarvan genoem word nie, want dit is, soos reeds herhaaldelik opgemerk, 'n uiters belangrike faktor in die vorming van werfkrag. Dit is miskien waar dat die waarde van die onderskeidingstekens met verwysing na die waarde van 'n onderneming gemeet kan word, maar tenoor die werfkrag geniet hulle tog, indien nie 'n ekonomiese nie, 'n sekere juridiese selfstandigheid.

Dit baat ook nie om aan te voer dat die erkenning van 'n reg op die onderskeidingsteken geen sin het naas die erkenning van 'n reg op die werfkrag omdat 'n aantasting van eersgenoemde noodwendig ook 'n aantasting van laasgenoemde sou wees nie. Die reg op die onderskeidingsteken moet nie net negatief nie maar ook positief betrag word, dit wil sê uit die oogpunt van die genots-en gebruiksbevoegdheid van die reghebbende.⁶⁹

Thus, the authors recognise that although the link between marks and goodwill is very close it is not inextricable. A sign can have a significance of its own. The authors note that a trade mark does not necessarily lose its value if an undertaking ceases to exist as an economic unit. Trade marks can remain associated with the goods and services of an enterprise separately from the components thereof in the mind of consumers. Hence, the authors do not agree with the contention that a distinctive mark can have no value of its own and only have meaning in the context of the goodwill of the undertaking.⁷⁰

Nevertheless, according to the authors, it cannot be denied that within the context of the enterprise there is always a close connection between its goodwill and distinctive marks. This does not, however, detract from the recognition of an independent right to the

69. Van Heerden & Neethling *Onregmatige Mededinging* 60-62.

70. Van Heerden & Neethling *Onregmatige Mededinging* 63.

distinctive mark alongside the right to goodwill. Yet the authors agree with the view that distinctive marks are accessory property and the right thereto is an accessory right. As to the nature of the right concerned the learned authors conclude:

Oor die aard van die reg op die onderskeidingsteken kan weinig twyfel bestaan. Soos reeds aangetoon, is die objek van dié reg 'n onliggaamlike goed, en dat dit nie onlosmaaklik met die persoonlikheid van die reghebbende verbonde is nie, kan sekerlik nie betwis word nie. Die onderskeidingsteken is immers vatbaar vir oordrag en gaan nie saam met die reghebbende tot niet nie. Volgens die toets hierbo aan die hand gedoen, is dit dus die objek van 'n immaterieelgoederereg.⁷¹

According to **Page**, a symbol which is inherently adapted to distinguish an undertaking can in itself possess an attractive force in relation to the undertaking unrelated to use. This recognises the right to the symbol itself as a component of the attractive force of an undertaking in addition to whatever goodwill may be created by its use and to which the right to the symbol is accessory. Consequently, the appropriation of a symbol which has not acquired a reputation through use can amount to unlawful competition in appropriate circumstances.⁷²

This right is acquired when a trader originates a symbol in relation to his undertaking and it is the act of origination which vests the right in him. Originality or novelty is not required and the same vesting takes place where the act of origination is in the nature of an adoption of a symbol originated by another. The right so vested will stand unless an objector can show a prior overt claim thereto in connection with his own

71. Van Heerden & Neethling *Onregmatige Mededinging* 63. The test referred to is whether the property concerned can stand independently of both the entrepreneur involved in the undertaking and its other components (at p 53).

72. Page - The Territorial Limitations of Repute in Passing Off, and the Applicability of Unlawful Competition to Situations Created by International Trading 51 in Neethling (ed) *Onregmatige Mededinging* 41-54.

goods or services in the territory concerned.⁷³ It is to be noted, however, that the acquisition of the right to a distinctive symbol, whether by origination or by adoption and overt assertion, can only take place in relation to a undertaking and is, therefore, accessory thereto. The right can only exist where an undertaking is carried on, according to **Page**.⁷⁴

In modern law trade marks are distinguishing signs of various kinds which are capable of graphical representation. It is my thesis that recognition must be afforded to an independent right to the trade mark (distinguishing sign). In order to take on commercial significance and reflect the range of values characteristic of the right which include distinction (the value of the sign as a means of distinguishing), advertising value and goodwill related values (such as providing the substrate for and means of generating and symbolizing goodwill), the trade mark must be associated with an enterprise. In this sense the right to a trade mark is accessory. The contents of the trade mark right are the entitlements of the holder, which are determined by the matrix of functions which the holder is positively entitled to have the mark perform.

An unlawful impingement upon any function - be it the distinguishing, origin, assurance, advertising, communication or other function - infringes the trade mark right and the Aquilian action will then lie if the remaining elements of the remedy action are present, also.

Where, for example, a particular trade mark functions to symbolise the goodwill of an undertaking in the business

73. Page 51. And see p 279-299 *supra*. See also p 565-566 *infra* regarding vesting.

74. Page 52. I have, however, observed in connection with the law of the United Kingdom that registration prior to use, or for that matter, the existence of an undertaking before registration - provided there is an intention to use the mark in relation to a company to be formed - creates statutory property sui generis (see p 291-220 *supra*). See also p 298 - 299 *supra* regarding the rights of *peregrini*.

in the goods and services in respect of which the trade mark is used, use of a confusingly similar mark by a third party upon products of the same kind will confuse consumers as to the source of such product. This amounts to an appropriation of the goodwill symbolised by the trade mark. It is indicated by an interference with the origin function of the mark which evidences an infringement of the trade mark right.

The time has come in my view for modern trade mark law - which is essentially the law of distinguishing signs - to accept that the full range of functions performed by trade marks are protectable by law. If interference with a trade mark function constitutes the infringement of a right no justification exists for restricting relief to only those functions which have been traditionally protected for historical reasons.

An apt example of the inhibiting effect of traditional approaches upon the development of trade mark protection is afforded by the want of recognition given to the advertising function over the years. It will be recalled that this trade mark function has been struggling for autonomous recognition since the time **Schechter** drew attention thereto during 1927.

I proceed to consider infringements of the advertising function of the trade mark in the South African law and the approaches of South African writers in regard thereto.

Clearly, if in doing so a basis is revealed according to which the traditionally protected functions - the origin and quality assurance functions - are protectable under the same construct as the advertising function - the solution or model arrived at should serve to protect all other functions discernible in the functional matrix i.e. to protect the integrity of the trade mark right as a whole.

7. THE ADVERTISING FUNCTION REVISITED

7.1 Rutherford

It has been observed that, traditionally, the accepted function of a trade mark is to indicate the origin or source of the product in relation to which it is used. It has been shown, however, that a trade mark is capable of fulfilling multiple functions such as indicating or assuring quality or serving as an advertising or selling device. According to **Rutherford**, this latter function is seen by modern commerce to be the most important economic function of a trade mark.⁷⁵

To recap, the nature of this function and the basis upon which the law should protect it is aptly summed up by **Rutherford** thus:

Today, through the use of sophisticated advertising techniques, a manufacturer aims at promoting the sale of his product. In this regard, he makes use of his trade mark firstly, to identify and distinguish his product and secondly, as a conduit for the transmission of the persuasive power of his advertising. If his advertising campaign is successful and the product proves acceptable to the consumer, the trade mark will identify the product as satisfactory and will thereby stimulate further sales. The trade mark actually helps to sell the product. In this way the trade mark creates and retains custom. A trade mark, therefore, not only constitutes a symbol of the goodwill of the proprietor's business but is an important agent in the creation and perpetuation of that goodwill.

The preservation of the reputation and unique identity of the trade mark and the selling power which it evokes is of vital importance to the trade mark proprietor in order to protect and retain his goodwill. Other traders will frequently wish to exploit the selling power of an

75. Rutherford - Misappropriation of The Advertising Value of Trade Marks, Trade names and Service Marks 55-56 in Neethling (ed) *Onregmatige Mededinging* 55-69.

established trade mark for the purpose of promoting their own products. The greater the advertising value of the trade mark, the greater the risk of misappropriation. Any unauthorised use of the trade mark by other traders will lead to the gradual consumer disassociation of the trade mark from the proprietor's product. The more the trade mark is used in relation to the products of others, the less likely it is to focus attention on the proprietor's product. The reputation and unique identity of the trade mark will become blurred. The selling power becomes eroded and the trade mark becomes diluted. The proprietor of the trade mark usually expends vast sums of money through advertising in order to build up the reputation and selling power or advertising value of his trade mark. The growth of his business is dependent upon the growth of the meaning and importance of his trade mark. It is therefore only fair that he should be entitled to protect this valuable asset against misappropriation. Moreover, a misappropriator should not be allowed to obtain a promotional advantage for his product at the expense of the trade mark proprietor. Misappropriation of the selling power or advertising value of a trade mark is commercially injurious to the trade mark proprietor and results in the impairment of the goodwill of his business. It is submitted that such conduct is, in principle, unlawful and constitutes an infringement of his right to goodwill.⁷⁶

Thus, according to **Rutherford**, misappropriation leading to dilution is an impingement upon the advertising value or selling power of the trade mark, which can be derived from its inherent uniqueness, but which is usually the result of extensive advertising. It is not the mark itself, but its advertising and selling power which is protected.⁷⁷ In other words, the advertising function must not be interfered with.

In the case of the passing off action involving the application of deceptive marks, and with the traditional form of the statutory trade mark infringement action, it is the origin function of the trade mark which is interfered with or impaired in circumstances of trade

76. Rutherford 56-67.

77. See Rutherford 57.

competition. In such cases, consumers are confused as to the origin of the product featuring the deceptive mark and they are unlawfully diverted from the true source. Where one has to do with an interference under the advertising function of a trade mark, however, it is not necessary for the protagonists to be in competition and there need not be confusion as to the source of the product concerned. The damage lies in the dilution of the attractive force of the trade mark.⁷⁸

I believe this to be correct. The entitlement of the holder of the trade mark right to apply the advertising function of the trade mark positively and to its fullest extent is dissipated by the infringer who pre-empts the entitled party by detracting from the positive focus of consumers upon the trade mark holder's products, which the advertising function of the mark is intended to establish.

According to **Rutherford**, the misappropriation of the advertising value of a trade mark can be either concealed or unconcealed. Examples of the latter species are comparative advertising (where disparagement is required) or generic usage of the mark concerned by a competitor. In both the foregoing instances a competitive situation is present between the protagonists.⁷⁹

Rutherford points out that in the traditional trade mark infringement and passing off situations there is not only an impairment of the origin function of a trade mark but there is also a concealed misappropriation of the advertising power of the trade mark. The traditional remedies of passing off and infringement however afford sufficient and established protection to the injured party.⁸⁰

78. See Rutherford 57.

79. See Rutherford 58.

80. See Rutherford 59.

This accords with my view that in order to establish an infringement of the trade mark right it is not necessary to bring to light all the functions present in the functional matrix of the mark and then show an impairment of each function. The right which is infringed is not fragmented but unitary. The multiple functions a mark might perform reflect the entitlements of the holder of the right thereto. An interference with an entitlement infringes the right. Hence, unlawful impairment of a single function establishes an infringement of the right.

Rutherford draws attention to a more subtle form of misappropriation which takes place outside the competitive situation in the case of allusion advertising where a third party appropriates the attractive force of an established trade mark by applying it suggestively to his own products - which are unconnected with the goods or services of the true proprietor of the mark. A dilution of this kind can be particularly damaging where tainting or tarnishment of the mark occurs through its association with goods or services which give offence, cause degradation, reflect an unwholesome or unhealthy aura, or are of inferior quality. The wrongdoer seeks to enhance the image of his product in the eyes of the consumer by seeking a connection, affiliation or sponsorship between the mark as used by its genuine proprietor and, in so doing, appropriates the mark without the consent of the true proprietor.⁸¹

According to **Rutherford**, for an action for concealed misappropriation to lie, the following requirements must be met:

- 7.1.1 the misappropriated trade mark must have an advertising value;

81. See Rutherford 59-60.

- 7.1.2 the defendant must have used the trade mark or a similar trade mark on non-competing products without the consent of the true proprietor of the mark;
- 7.1.3 the right to the proprietor's goodwill must have been infringed by a tarnishment or dilution.⁸²

From the perspective of the construction I propose, the advertising function of the mark has been intruded upon, the subjective right to the trade mark has thereby been infringed and damage to an aspect of the goodwill of the undertaking has resulted.

7.2 *Mostert*

Mostert is an early and rigorous proponent still of protection for the advertising value of a trade mark in South Africa. According to this author, the parasitic use of a trade mark on non-competing goods or services has as its object the misapplication of the commercial magnetism or advertising value embodied in a trade mark in order to exploit its attractive force by drawing consumers to the goods or services of the unauthorised user.⁸³

In discussing protection against confusion or deception involving unauthorised associations created in connection with dissimilar goods, **Mostert** points out that in these instances also a false trade connection can be established. For example, the public could conclude that there has been an extension of the range of products. A bad reputation of quality attaching to the similar goods or services of the unauthorised user could in such cases be carried over to the products of the genuine user, which would clearly be adverse to the interests of the entitled party. **Mostert** would have relief granted in such cases also where the goods or

82. See Rutherford 60.

83. Mostert 1986 (49) THRHR 173-188 173.

services of the unauthorised user could not be shown to be provably inferior or tainted as there would still be the possibility of a tainting association developing in the future.⁸⁴

In **Mostert's** view, granting an action in the foregoing circumstances would protect the reputation and goodwill of the true user's goods and/or services as well as protect the public from confusion - two basic objects of a trade mark. The action would go beyond passing off because unconnected goods or services are involved. The action would resort under the general law of unlawful competition, but extended beyond the competitive milieu, as contemplated by the **Holiday Inns case**.⁸⁵

Thus, it seems to me that although the intention of the unauthorised user is to exploit the advertising value of the trade mark concerned, the source and quality assurance functions are immediately intruded upon, also. The property damaged is the goodwill of the entitled party connected with the trade mark concerned. Ultimately, the advertising value of the trade mark - goodwill closely attached to the mark itself - will erode as well.

This brings me to **Mostert's** discussion of dilution.

The advertising function concerns the distinguishing value, uniqueness and attractive force which a trade mark itself exhibits. As **Mostert** puts it:

Die advertensiefunksie van 'n handelsmerk behels onder meer om weens die onderskeidingswaarde, uniekheid en aantrekkingskrag wat 'n handelsmerk op sigself inhou, by die afnemerspubliek 'n spesifieke produk of diens in die geheue op te roep en die aandag daarop te

84. Mostert 174-175.

85. See Mostert 178-179 and *Capital Estate and General Agencies Pty Ltd v Holiday Inns Inc.* 1977 (2) SA 916(A).

vestig. Die advertensiefunksie van 'n handelsmerk omvat die identiteitswaarde van en houvas wat 'n handelsmerk op die afnemerspubliek het, om hulle na 'n spesifieke produk of diens aan te trek. So byvoorbeeld roep die onderskeidende "COCA-COLA"-merk onmiddellik die beeld van 'n spesifieke, donker koeldrankproduk by 'n koper op. Deur 'n sekere produk of diens in die geestesoog van die koper vas te pen, is so 'n handelsmerk ook 'n effektiewe skakelmiddel waardeur bevrediging en begeerlikheid geheg kan word aan 'n spesifieke produk of diens. 'n Handelsmerk simboliseer en weerspieël die bevrediging en begeerlikheid van die spesifieke produk of diens waaraan dit gekoppel is. As sodanig is 'n handelsmerk 'n belangrike stimulant vir die verdere aanvraag na die spesifieke produk of diens waaraan dit verbonde is. 'n Handelsmerk is gevolglik 'n besonder doeltreffende verkoopsinstrument waardeur inligting aan die afnemerspubliek oorgedra kan word oor die aantreklikheid van die spesifieke produk of diens waaraan die handelsmerk gekoppel is. So byvoorbeeld simboliseer die "COCA-COLA"-merk die bevrediging en begeerlikheid van die aangename koeldrank ten aansien waarvan dit gebruik word en weerspieël die "ROLLS-ROYCE"-merk weer die hoë gehalte van die motor ten aansien waarvan dit gebruik word. 'n Handelsmerk besit derhalwe advertensiewaarde indien dit 'n sekere produk of diens aandui en by die afnemerspubliek oproep en 'n gunstige assosiasie opwek oor die bevrediging en begeerlikheid van die spesifieke produk of diens waaraan dit verbonde is. Op grond van hierdie advertensiefunksie wat 'n handelsmerk verrig, dien dit om die afnemersaanvraag te kanaliseer na die spesifieke produk of diens waaraan die handelsmerk gekoppel is, om sodoende by te dra tot die vorming van werfkrag rondom hierdie spesifieke produk of diens waaraan die handelsmerk verbonde is.⁸⁶

A claim based on erosion or dilution protects a trade mark against the unlawful use thereof on non-competing products in a manner which dilutes the mark, i.e. impinges upon its advertising function. This happens in two ways:

- (a) The unauthorised use weakens the bond between mark and product and the focus of the consumer is distracted from

86. See Mostert 180-181.

the genuine product. In time, the trade mark is no longer exclusively associated with the proprietor's product. Dilution, therefore, affects the ability of the trade mark to distinguish, identify or exert an attractive force.

Thus, in terms of my construction, dilution of this kind infringes the mark in that it disrupts the identifying, distinguishing and advertising functions and also, I suggest, the origin function of the mark concerned.

- (b) Generic usage which destroys the ability of the trade mark to distinguish the goods of the proprietor. **Mostert** suggests that a claim should lie in this instance, also.⁸⁷ I agree. The distinguishing function - because the mark is rendered non-distinctive - is wiped out.

Mostert recognises that an action should lie also in instances of disparagement: i.e. use of the trade mark in a disparaging manner or context. Where a trade mark has a positive association, its use upon unconnected goods which have an indecent, offensive or negative connotation can indeed impinge upon the positive association which the mark enjoyed previously.

In my view, disparagement impinges upon the advertising function and damages the advertising value of a trade mark. Infringement by disparagement is not to be confined to association of the mark with offensive goods. An offensive distortion of the mark itself can be a disparagement, as well. The enquiry will be whether the advertising function has been unlawfully disrupted in fact. This is not to say that the enquiry ends there. For a delict to be established, all the elements of liability must be shown. Thus, damage must for instance have resulted to the goodwill in the

87. See Mostert 181-183.

business in the goods or services in connection with which the holder of the right has established use in the mark because the attractive force of the mark in relation thereto has been lost. Fault must lie in the intentional appropriation of the mark and a casual connection between the act of appropriation and the resultant damage will have to be established. In my view, the unlawful intrusion upon any trade mark function can be visited with Aquilian liability in the same manner, provided all the elements of the action are present.

Diluting or disparaging use of a trade mark results in the effectiveness of the mark to channel consumers to the owner's products being drastically curtailed. This impedes the accrual of further goodwill to the product with which the mark is connected.⁸⁸

Mostert would not confine relief in the case of dilution to famous marks only. He holds that the plaintiff in an action based on dilution must indicate that the defendant's unlawful use of the trade mark in relation to non-competing products dilutes or impairs an established commercial magnetism and advertising value of the mark. Thus, any mark possessing this commercial magnetism and advertising value can be diluted. It is of course so that the more well known a trade mark becomes, the easier it will then be to show that it has the requisite magnetism and advertising power and the easier it will be to found an action based on dilution.⁸⁹

I agree with this approach. The quantum of attractive force which renders a mark "well known" is not clear in dilution theory and represents a major weakness in seeking to apply it consistently in practice. It is unfortunate that the "well known" label has become attached to the theory through the wording of the Paris Convention.⁹⁰ In the application of the construct I

88. See Mostert 183-184.

89. See Mostert 185.

90. See article 6 bis of the Paris Convention for the Protection of Industrial Property, as

have proposed, it is a matter of evidence in each case whether a mark can be said to exhibit an advertising function which, if infringed, will damage a proven attractive force in the mark.

Mostert sums up thus regarding the dilution action:

*'n Eis gegrond op erosie is gerig op die beskerming van die advertensiefunksie van 'n handelsmerk, wat dien om die afnemerspubliek te kanaliseer na die spesifieke produk of diens waaraan die betrokke handelsmerk gekoppel is. Die advertensiefunksie van 'n handelsmerk is derhalwe 'n belangrike komponent in die vorming van die werfkrag na die spesifieke produk of diens waaraan die betrokke handelsmerk verbonde is. Deur die betrokke handelsmerk te beskerm, dien die eis gegrond op erosie dus in werklikheid ter beskerming van die vorming van die werfkrag na die spesifieke produk of diens waaraan die betrokke handelsmerk verbonde is. Dit is dan ook niks minder as billik nie dat 'n handelsmerkgereghebbende geregtig moet wees op die werfkrag wat hy rondom sy produk of diens opgebou het, deur sy eie inspanning en arbeid. Daarbenewens sal die berskeming van die werfkrag van die handelsmerkgereghebbende se onderneming deur middel van 'n eis gegrond op erosie, ook dien ter beloning en aansporing van die handelsmerkgereghebbende om werfkrag rondom sy produk of diens op te bou. Dit sal natuurlik weer lei tot die produsering van kwaliteitsware en kwaliteitsmededinging wat slegs tot voordeel van die gemeenskap strek.*⁹¹

In his doctoral thesis, **Mostert** argues for recognition of an independent immaterial property right to the advertising image of an undertaking as an accessory right to the right of goodwill in the same way as the common law right to the trade mark is regarded as an accessory right to the right of goodwill. **Mostert** would not confine this right to trade marks but would include any name, mark, symbol or character identified with a particular product or undertaking which third parties might appropriate because of its potential promotional advantage for them. A misappropriation of this

91. Mostert 186. See p 632-651 *infra* regarding dilution under the new laws.

advertising value infringes both the accessory right (the right to the advertising image) as well as the right to the goodwill of the undertaking.⁹²

In **Rutherford's** view, the common law provides only indirect protection against misappropriation of the advertising value of a trade mark, namely in circumstances where the right to goodwill of the proprietor is infringed and the misappropriation is accompanied by a likelihood of confusion as to the origin or sponsorship of the product featuring the mark complained of. He observes:

*To date there has been no recognition of misappropriation of the advertising value or "dilution" as an independent cause of action. Nor has there been any recognition of the existence of an independent right to the advertising image.*⁹³

It is my view that the law should protect all aspects of the distinguishing signs of an enterprise which are present in a particular case. These distinctive signs or marks are common law trade marks. They include service marks - signs which distinguish services. Trade marks are able to perform multiple functions. Each trade mark displays a functional matrix in which the functions which a particular mark fulfils feature. An unlawful disruption of any function present in the matrix infringes the trade mark in question. In order to establish the delict, damage to an aspect of the property in the trade mark must be present. In the case of interference with the advertising function considered by **Mostert** the aspect of property damaged is, in my view, the advertising value in a trade mark of the undertaking.

92. Mostert *Reklamebeeld* (RAU 1985) chapters V-VI 281-367. See Rutherford 63 for a succinct comment thereon from which this paragraph is gleaned.

93. Rutherford 63; See also Mostert (1982) 99 SALJ 413-419.

My model is not, therefore, based upon independent causes of action founded upon independent rights to aspects of the property concerned - which is the trade mark as a distinguishing sign. It proposes a subjective immaterial property right to a trade mark with entitlements corresponding to the range of functions fulfilled by a particular trade mark, taken up in a functional matrix. An approach akin to attributing a specific 'tort' to certain types of unlawful action such as dilution, disparagement, tarnishment, misappropriation and the like - a specific action approach - is thereby avoided without detracting from the unlawful and infringing nature of the conduct so labelled.

7.2.3 *Neethling*

Participating in the debate, **Neethling** records that it is trite law that the unauthorised use of a trade mark, service mark or trade name by a non-competitive undertaking may comprise an unlawful infringement of goodwill. He questions, however, whether this is an example of the species of the genus, unlawful competition, known as passing off. Before the **Holiday Inns** case, passing off was restricted to a misrepresentation that the unauthorised user's goods or services (i.e. performance) was that of a competitor. According to **Neethling**, it is the distinguishing value of a sign or trade mark which is infringed in these instances. Passing off presumes a competitive struggle and for this reason qualifies as a form of unlawful competition.⁹⁴

Therefore, **Neethling** suggests, the courts are not dealing with passing off when the competitive struggle between the litigants is absent. Here another form of

94. Neethling (1993) 5 SA Merc LJ 306-313 308 hereafter referred to as Neethling (Merc LJ); See footnote 85 for a reference to the Holiday Inns case. His discussion relates to "leaning on" in confusion of sponsorship situations. Dilution (by means of disparagement or otherwise) is not confined to such circumstances (see p 638-649 *infra*).

unlawful trade practice is in issue i.e. misrepresentation as to the source, origin or business connection of a non-competitive performance. Consequently, the passing off action should not be applied to this species of wrongful action.⁹⁵

According to my construction of the confusion of sponsorship situation contemplated by **Neethling** a number of the multiple trade mark functions in the functional matrix could be impinged therein - depending on the facts - including the distinguishing, origin, advertising, identification and communication functions.

Neethling suggests that the species of wrongful conduct he refers to - use of the marks of an enterprise by a non-competitor in such a way that a misrepresentation is created that the performance of the latter has the same source or origin as that of the former - concerns the appropriation of the advertising value of a trade mark.

The unauthorised performance is an appropriation of the advertising value which the "proprietor" of the trade mark has in relation to his performance. This is a "leaning on" the reputation or good name of the proprietor's performance by the infringer in order to promote his own performance and benefit from that of the proprietor.⁹⁶

According to **Neethling**, in such cases of leaning-on the goodwill of the proprietor's business may be infringed in two ways, namely:

- 7.2.3.1 by disparagement: here the positive associations which the proprietor's mark represents may be harmed if the use of the mark complained of is in relation to bad or inferior performances;
- 7.2.3.2 by dilution: here the effectiveness of the drawing power of the mark is reduced and the advertising value and goodwill thereof impinged.

95. Neethling (Merc LJ) 308-309. See also Neethling (1994) SA Merc LJ 1-15.

96. Neethling (Merc LJ) 309. See also Van Heerden & Neethling *Unlawful Competition* 201-219 particularly 213 regarding dissimilar fields of activity, and p 288-289 *supra*.

Neethling suggests that the following is required if a plaintiff is to succeed in an action for "leaning on" in confusion of sponsorship situations:

- 7.2.3.3 He must show that the sign has acquired a reputation or advertising value in regard to his performance;
- 7.2.3.4 He must show that the unauthorised use of the trade mark (distinguishing sign) creates the misrepresentation that the defendant's performance has the same origin or source as that of the plaintiff;
- 7.2.3.5 He must show that his goodwill is being infringed by disparagement or dilution of the reputation or advertising value of his mark.⁹⁷

In passing off, by way of contrast, the mark (sign) must be shown to be distinctive i.e. that it has acquired a distinguishing value. The misrepresentation is then that the defendant's performance is that of the plaintiff.⁹⁸

In his conclusions, **Neethling** suggests that unregistered marks should also be protected against dilution and disparagement. I agree. In my view, registration is not the constitutive act which vests the holder of the trade mark right with its entitlements, although the statutory elements thereof require registration for protection under the Act to be obtained. These matters are discussed below.

Furthermore, **Neethling** also posits that not only famous marks should be protectable against such wrongdoing, but all marks having advertising value should be protected.

97. Neethling (Merc LJ) 309-310. He suggests that the criteria he proposes are implied by the Marlboro and Manhattan cases - although misrepresentation was not found in the first case and public confusion as to source was not present in the second. See Philip Morris Inc. & anr. v Marlboro Shirt Co. SA Ltd & anr. 1991(2) SA720(A); Royal Beech-nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods 1992 (4) SA 118(A).

98. See Neethling (Merc LJ) 310.

The court should also recognise an immaterial property right in the advertising value of a sign (trade mark) or, as **Mostert** puts it, the right to the advertising image. He concludes, however that the courts are not willing to protect this right unless a passing off or "leaning on" is present.⁹⁹

In regard to the foregoing **Van Heerden & Neethling** write:

*The protection of the advertising marks of an entrepreneur against open and concealed misappropriation by rivals as well as by other non-competitive entrepreneurs is, as far as South African law is concerned, to a large extent unexplored terra nova. Under the cloak of passing off decisions such as Capital Estate and General Agencies (Pty) Ltd v Holiday Inns Inc provide the only authority for the protection of the advertising value of such marks, and then only if the goodwill of the plaintiff's undertaking was infringed as a result of the deception or confusion or his potential customers as to the source or origin of the defendant's performance. The door must still be opened for protection of the advertising value against unlawful competition (open and concealed leaning on), against open leaning on outside the competitive context, against dilution as an independent cause of action, and for the recognition of the right to the advertising mark as an independent immaterial property right.*¹⁰⁰

It is my respectful submission that the conclusions which follow provide a model which, when properly applied, reveals the basis for solution of each of the unresolved matters to which the authors refer.¹⁰¹

99. See Neethling (Merc LJ) 312-313 and the cases discussed there.

100. Van Heerden & Neethling *Unlawful Competition* 219. When a sign fulfils the advertising function the authors label it an advertising mark. See p 641 *infra*.

101. Regarding dilution, Salmon, in his LL.M dissertation (University of South Africa, November 1990) however concludes: "The concept of the dilution of a trade mark has received juridical and legislative recognition in a number of foreign jurisdictions. South African Trade Mark Law does not grant protection against dilution of trade marks although a number of decisions in recent cases have mentioned the damage caused by dilution, without meaningfully addressing the issue.

It is submitted that, notwithstanding the dynamism of the common-law in South Africa, protection against the erosion of the commercial magnetism enjoyed by a distinctive mark should be afforded by the legislature."

See also Salmon (1997) 104 SAL 1 647 669

8. CONCLUSION

This treatise, in dealing with the development of trade mark law from its inception in the jurisdictions of historical importance to the South African law of trade marks,¹⁰² shows, I believe, that the development of the law from its inception to the present time has been subject to traditional constraints and limitations which can no longer be justified as trade marks display important multiple functions in modern markets.¹⁰³

The recent reception of EC trade mark law in the United Kingdom means an intrusion of EU policy and a break in the United Kingdom from the Common Law trade mark tradition.¹⁰⁴

This will require a new approach in British trade mark law which South African jurists can hardly follow without caveat.

I do not, however, advocate a localised approach to trade mark law in South African but rather a full exploitation of the utilities which our system provides.

The historical investigation of the U.S. trade mark system in this thesis reveals real tension in the system between the need to afford greater protection to modern trade marks - which acceptance of trade marks as property in the full sense would provide - and the contrary approach which places anti-monopoly doctrine and considerations of public interest in the central position. Nevertheless, the striving of American writers and in many instances, also American judges to

102. See Introduction xi-xiii.

103. See chapter 15.

104. See chapter 13.

extend trade mark rights, provides an incentive to South African jurists to recognise and give effect to the possibilities which our principle oriented hybrid legal system affords.¹⁰⁵

Earlier chapters have shown that a common law of trade marks is an established feature in both British and American trade mark law. In the United Kingdom, the protection of common law trade marks is confined to a specialised passing off action. The tort is founded in deceit and involves the appropriation of the trade mark of another in a manner which deceives or confuses the public as to the origin of the product featuring the counterfeit mark. Proposals in the United Kingdom that relief in trade mark infringement cases at common law should be based on a trespass upon property have not prevailed. The common law of trade marks in the United Kingdom is subject to the constraint that neither a general action for wrongful conduct nor a general action for unlawful competition is known to the legal system.

In my view, the limitations imposed upon the protection of trade marks in the law of the United Kingdom has prevented the establishment of a broad trade mark infringement action in the common law of South Africa. As the historical chapters regarding the trade mark law of the United Kingdom prior to the 1994 Act have shown, the trade mark statutes have largely been a re-enactment of the common law which, as observed above, is not expansive in the protection it affords trade marks.¹⁰⁶ The means by which the protection afforded trade marks has been limited is to restrict protection to the traditional trade mark functions of indicating origin and assuring quality with reference to source which

105. See chapter 14.

106. See chapter 5.

functions alone are regarded worthy of protection.¹⁰⁷ The South African statutes and courts have traditionally placed similar limitations upon the legal protection of trade marks, following the British example.¹⁰⁸

The chapters concerning the trade mark law of the U.S.A. have also revealed that in the U.S., the common law infringement action - which the Lanham Act attempted to codify - applies the confusion standard with restrictive effect. Again, the public interest predominates as the protected interest in contra-distinction to the theory of property in trade marks, which has not yet prevailed.¹⁰⁹

It has been shown in the chapter concerning U.S. trade mark law that even the anti-dilution remedy, which is an endeavour to extend protection to the mark itself as property, has been restricted by the unjustified application of the confusion standard to dilution cases.¹¹⁰

Nevertheless, the call to extend protection to new trade mark functions is a persistent one in the U.S.A. and various rationales are being explored in an endeavour to meet the demands of commerce for trade marks to be protected as valuable assets and brands. Again, in the U.S.A., the restrictions of a system which knows only specific torts prevents the establishment of a general trade mark action which can provide protection to all the trade mark functions which have been discerned and which require legal protection.¹¹¹

107. See chapter 15.

108. See chapter 11.

109. See chapter 14.

110. See chapter 14.

111. See chapter 14.

The South African law is not subject to the basic restrictions of the Anglo-American system of torts. The *genus* for a general trade mark action - the *actio legis Aquiliae* - is already established. If a basic common law trade mark right is discernible in fact in the market place and is capable of proper description, the law should protect the holder of this right against its unlawful infringement. I have concluded that there is such a right extant in the South African law which I describe hereunder.

The fact that the legislature has provided statutory trade mark protection does not exclude or deny the right to a trade mark at common law.¹¹²

8.1 *The right defined*

Trade marks are immaterial property.¹¹³ Under the classical and personalist theories of private law rights, the trade mark right is real and absolute - it is not a claim which operates *inter partes* but is enforceable against all comers i.e. the world at large.¹¹⁴

It is, however, under the theory of subjective rights that the nature of the right to a trade mark is fully revealed.

In terms of this doctrine the trade mark is the object of a subjective right. As the trade mark is an incorporeal object unconnected with the human body or psyche, the right thereto, when classified with reference to the object of the right, i.e. the trade mark right, is an immaterial property right.¹¹⁵

112. Historically the statutes have been a gloss on the common law.

113. See section 41 of Act 194 of 1993 regarding registered marks and the discussion of the section at p 662-667 *infra*.

114. See p 506 *supra*.

115. See p 508 *supra*.

In order to take on commercial significance the object of the right, the trade mark, must be associated with an enterprise. In this sense the trade mark right is accessory.¹¹⁶

The trade mark, as property, reveals a range of values which are characteristic and which feature distinction as a *sine qua non*.¹¹⁷ Depending on the trade mark, the range of values can include advertising value,¹¹⁸ an associative network/imago¹¹⁹, and goodwill related values.¹²⁰

Because of the immaterial nature of the object of the trade mark right the entitlements of the holder of the right are constrained accordingly. There is no *dominium* or *possessio* over property of this kind within the meaning of those concepts when applied to things. Quasi-pledges and hypothecs over registered trade marks are constructed as legal fictions under statute.¹²¹

The entitlements of the right include the power to transfer and license and otherwise use the trade mark as a unique kind of intellectual property. In the latter regard the entitlements of use are characteristically derived from the functions trade marks perform and which are taken up in the functional matrix of the trade mark.

The right is characterised further by the limitation that it is lost if the trade mark is used in such a way as to vitiate its distinctiveness. Subject to the foregoing and statutory provision, the trade mark right

116. See p 535-537 *supra*.

117. See p 459 *supra*.

118. See p 540-541, 550 *supra*.

119. See p 488 *supra*.

120. See p 485-487 *supra*.

121. See p 663-667 *infra*. But see the approach of Trollip J in *Broadway Pen Corporation and anr v Weschler & Co (Pty) Ltd and ors* 1963(4) SA 434T 444-445. It will be recalled that the concepts of proprietor and owner are derived from the Common Law which differ substantially from civil law *dominium* (see p 204-215 *supra*).

is of indefinite duration, provided it remains in use.

I have, therefore, concluded that the entitlements of the holder of the subjective right relating to the use of a trade mark are to be found in the functions which the trade mark performs.¹²²

8.1.1 *The positive aspect of the right*

The trade mark right has both positive and negative aspects.

The positive aspect of the trade mark right derives from the first characteristic relationship of the subjective right - the relationship between the subject (the holder of the trade mark right) and the object (the trade mark).¹²³

In terms of this relationship, the holder can assert his entitlements to the trade mark in a positive way. This means that the trade mark can be applied so as to fulfil the multiple functions it is capable of performing in the market place. A description of the entitlements of the holder of the right to a trade mark is set out below.¹²⁴ A *numerus clausus* of trade mark functions is not proposed. New trade mark functions, of which the law will be required to take account once they become established, can be expected to develop as modern markets evolve. The advertising function affords an example of a trade mark function suitable for positive application to which the law denied clear protection for some time. I have shown in earlier chapters that acceptance of the advertising function in the British and American systems has been delayed because the property theory of trade marks has not been accorded

122. See p 568-573 *infra*.

123. See p 507 *supra*.

124. See p 568-573 *infra*.

proper recognition in those jurisdictions.¹²⁵ The advertising function of the trade mark requires a positive application of the trade mark right. The British and American systems, however, emphasise the negative. The view has dominated that the trade mark "owner" has a shared interest in the protection of his right with the public at large. The public at large, it is posited, must not be deceived or confused by trade mark usage. Trade marks must not be afforded the status of property in the full sense because this will inhibit competition and monopoly will follow. The confusion standard has, therefore, as observed earlier, taken up a central position in the Anglo-American trade mark systems.¹²⁶

It is beyond the province of this work to suggest how trade marks must be regarded in the British and American systems. Nevertheless, it does appear to me that, ultimately, recognition of trade marks as property in the full sense is likely in both systems. Under the United Kingdom Trade Marks Act, 1994, registered trade marks are now stated to be personal property.¹²⁷ It will, however, be recalled that property theory also underpinned all the earlier British trade mark statutes, to no avail from the point of view of the property based approach becoming pre-eminent. Earlier chapters have made clear that both the British and American systems reveal a long-established tension concerning the concept of property in the trade mark itself.¹²⁸ This tension will, I believe, bring about full acceptance of property theory in time. Insofar as questions of anti-monopoly, promotion of competition and the public interest operate against this trend, I expect that Anglo-American jurists could work out rules under which monopolies

125. See chapters 9 and 14.

126. See p 431-432 *supra*. The effect which the new law under the 1994 UK Act will have upon the concepts of the past remain to be determined.

127. See p 607-608 *infra*. Incorporeal movable property in Scotland. See sections 2(1) and 22 of the 1994 UK Act.

128. See chapters 9 and 15.

would be restricted and the public interest maintained, whilst proper recognition of trade marks as property is achieved at the same time.

8.1.2 *The extent of the right*

In the light of the foregoing and with reference to South African trade mark law, I do not propose that the confusion standard has no role to play in the South African law. In my view, the parameters of the operation of the subjective right to a trade mark are provided by the confusion standard and the "distinctiveness" criterion.

The trade mark proprietor may not use the mark to confuse or deceive the public. This does not mean, however, that the public has an interest in the mark.

Should the mark become deceptive it can no longer fulfil the invariable trade mark function of distinguishing between undertakings and products. This results in the loss of the right as the essential element of the trade mark - its distinctiveness - has been lost.

The trade mark right must not, therefore, be exercised so as to deceive, confuse or render the mark non-distinctive.

8.1.3 *The negative aspect of the right - infringement*

The negative aspect of the trade mark right is to be found in the second characteristic relationship of the subjective right - the relationship between the trade mark holder (the subject) and third parties.¹²⁹ It is this aspect of the trade mark right which has been

129. See p 507-508 *supra*.

recognised and applied over the years.¹³⁰ It entails the right of the trade mark holder to prevent others from intruding upon or pre-empting the entitlements or potential entitlements which the subject - object relationship of the subjective right to the trade mark affords.

As to whether the subjective right is being infringed in any particular instance will depend upon whether the action complained of disrupts a function which is present in the functional matrix of the particular mark, in fact.

Hence, for example, where the mark is new and has yet to develop the quantum of attractive power necessary to sell the product in relation to which use of the mark has commenced, its functional matrix is unlikely to display an advertising or selling function. As a consequence, it is unlikely that third parties will seek to appropriate a non-existing aspect of the mark. There is no incentive for potential infringers to do so. A claim of infringement by dilution in respect of the mark, therefore, cannot be established as there is no advertising function, origin function or quality assurance function in the functional matrix which can be diluted. The matter would be very different, however were the mark concerned to be "famous", such as **Coca-Cola**. In such a case the advertising function would most certainly be present in the functional matrix and dilution of this function would infringe the right.

I have concluded that any provable disruption of a function present in the functional matrix of a trade

130. In the sense that the trade mark statutes frame the right as one under which the registrant can prevent certain defined conduct (which amounts to infringement) on the part of third parties.

mark by a third party in a manner which breaches the duty of non-interference implied by the second characteristic relationship of the subjective right i.e. that unauthorised third parties must not interfere with the subject-object (right holder/trade mark) relationship of the right, is an unlawful infringement of the trade mark right.

The holder of the right can then obtain relief under the general principles of the *actio legis Aquiliae*, provided the unlawful act results in damage, and fault on the part of the infringer can be shown. In most cases of trade mark infringement, fault will lie in the intention of the infringer to appropriate some aspect of the trade mark as property - such as its goodwill or advertising value - to his own ends.

Where the holder of the trade mark right seeks relief by way of interdict, a disruption or threatened disruption or infringement of any function present in the functional matrix in fact will suffice in the absence of some other appropriate remedy.¹³¹

8.2 *Registration*

A trade mark does not have to be registered to fulfil the functions described. The historical investigations of this work have shown that, in the main, trade mark legislation has come about in the Common Law jurisdictions in order to afford common law concepts closer description and to facilitate enforcement of the common law trade mark infringement actions which are taken up in the statutes.¹³²

131. See Van Heerden & Neethling *Unlawful Competition* 75.

132. See chapters 3 and 5.

My description of the South African trade mark right, therefore, includes both its common law and statutory manifestations.

8.3 *Vesting*

A distinction must be drawn between the concepts of "claiming to be the proprietor" and *bona fide* "claim to proprietorship" in the 1916, 1963 and 1993 Acts - which relate to the status of the applicant for registration of a trade mark under the Acts - and the vesting of the property right to the trade mark in the holder of the subjective right thereto.

According to **Page** a trade mark right vests in two ways:

- 8.3.1 a trader originates a distinctive symbol in relation to his undertaking and the act of origination vests the right in him;
- 8.3.2 a trader makes an overt claim to the mark such as -
 - 8.3.2.1 using it in trade in relation to product;
 - 8.3.2.2 making application for its registration.¹³³

In **Broadway Pen Corporation v Weschler & Co**¹³⁴ it was said that the usual way of becoming the proprietor of a trade mark is by acquiring, inventing or otherwise originating the mark and then actually using it. In **Wm. Penn Oils Ltd v Oils International (Pty) Ltd**¹³⁵ it was said that the concept of proprietorship under the 1963 Act was not related to the common law right of property in the trade mark but merely required the applicant to claim to have originated or acquired the

133. See Page 51-52 in Neethling *Onregmatige Meededdinging* 41-54

134. **Broadway Pen Corporation v Weschler & Co (Pty) Ltd** 1963(4) SA 434(T) 444.

135. **Wm Penn Oils Ltd v Oils International (Pty) Ltd** 1966(1) SA 311(A) 317-318.

trade mark and to intend to use it. For a right of property to vest, there had to be sufficient use of the mark and very slight use would not suffice.

The concept was considered recently in the **Victoria's Secret** case¹³⁶ in which it was held that "claiming to be the proprietor" of a trade mark meant asserting a claim to be the proprietor of the mark. The proprietor had to take the mark as his own. He had to show that he had appropriated the mark for use in relation to goods or services and had so used it. "Appropriation" in this sense included the concepts of "originate", "acquire" and "adopt" required by the **Hon. Trollip** in the **Moorgate** case.¹³⁷

In my view, in order for the subjective right of property in a trade mark to vest at common law three elements must be satisfied:

- 8.3.3 the claimant must invent, originate, adopt, select or acquire the chosen mark, and appropriate the mark as his own for use;
- 8.3.4 the mark must be used;
- 8.3.5 the mark must display that degree of distinctiveness which indicates that the distinguishing function is present in the functional matrix of the mark concerned.

It follows that more distinctive marks require less quantum of use (if any) to establish the presence of the distinguishing function. Thus, marks which are distinctive *per se* will display the distinguishing function immediately upon use - when the right will vest.

136. **Victoria's Secret Inc. v Edgars Stores Limited** 1994(3) SA 739(A) 744-747.

137. **Moorgate Tobacco Company Limited v Philip Morris Inc.** R.T.M. 21 May 1986.

8.4 *The common law trade mark*

It is my thesis that any distinguishing sign in use -

- 8.4.1 whether or not it is registered as a trade mark;
- 8.4.2 whatever form it takes, and
- 8.4.3 whatever description it is given,¹³⁸
is protectable as a trade mark under the common law,
provided:
- 8.4.4 it functions to distinguish between undertakings and/or
product (goods and/or services) i.e. displays the
invariable trade mark function, the distinguishing
function;

The mark concerned may be a pending registration on the trade mark register or a registered trade mark in use in respect of goods or services for which it is not registered.

In the case of registered trade marks, use is not required for the mark to be protected under the Act - subject to the requisite intention to use required by statute being present. The benefits provided by registration are specifically defined in the trade mark statute in force from time to time. The current entitlements under the Trade Marks Act No. 194 of 1993 are set out in paragraph 8.6 hereunder.

The remedies for infringement, impingements or pre-emptions of the statutory entitlements overlap with the remedies available for common law infringements - but specific relief is facilitated by the relevant provisions of the statute concerned.

Protection has been afforded unregistered trade marks by the courts.

138. Such as trade mark, service mark, distinctive mark, advertising mark, distinguishing sign, get-up, house mark, symbol, insignia, flagship mark and the like. Van Heerden and Neethling, when the advertising value of a distinguishing sign is impinged, regard the sign as an entity, the advertising sign (see p 641-642 *infra*). My approach is to regard the distinguishing sign as a wider concept in which the advertising function and value is incorporated. The difference is one of definition.

In the **Holiday Inns** case,¹³⁹ a common law trade mark which had become distinctive of the respondent's hotel and motel business was afforded protection under the passing off action in circumstances where the infringing use was not in relation to such business - there was no common field of activity between the protagonists - yet resulted in a reasonable likelihood of deception which had the potential of damaging the respondent.¹⁴⁰

In the **Football World Cup** case¹⁴¹ the court, in recognising and protecting character merchandising *inter alia* in the unregistered 1994 Football World Cup insignias and symbols, acknowledged the presence of advertising and merchandising value in common law trade marks and protected the holders against appropriations of the advertising and selling functions of the rights thereto.

8.5 *The holder's entitlements*

It is my thesis that the entitlements of the holder of a subjective right to a trade mark are to be found in the functions which the trade mark performs. There is no *numerus clausus* of trade mark functions. Those mentioned below are functions which are commonly revealed in present day free markets.

In considering the entitlements it must not be overlooked that they refer to the entitlements of a distinctive mark. It is central to my thesis that a mark must fulfil the invariable distinguishing function

139. Capital Estate and General Agencies (Pty) Ltd v Holiday Inns Inc 1977(2) SA 916(A).

140. See also Philip Morris Inc v Marlboro Shirt Co SA Ltd 1991 (2) SA 720 (A) and Royal Beech-nut (Pty) Ltd v United Tobacco Co. Ltd 1992 (4) SA 118 (A) in which relief was denied unregistered marks on the facts.

141. Federation Internationale de Football and ors. v Bartlett and ors 1994(4) SA 722(T) 736, 739-740.

if it is to qualify as a trade mark. It is the presence of this function which vests the trade mark right with exclusivity. If the holder of the right does not have the exclusive right to apply the trade mark so as to distinguish his undertaking or products, the trade mark will lose its essential element of distinctiveness if others use it, and the right will be vitiated.

Exclusivity is also essential to the proper fulfilment of all other functions if there is not to be confusion or deception in the market place. Thus, the unlawful appropriation of any function of a trade mark by another intrudes upon the principle of exclusivity and indicates an infringement. Hence, the power of the holder of the right to apply the entitlements of the mark is exclusive in respect of all the functions presented by the marks.

8.5.1 *Entitlements which relate to the Identification function*¹⁴²

Under this function, the holder of the trade mark right is entitled to apply the mark in order to -

8.5.1.1 identify an undertaking;

8.5.1.2 identify the products (goods and/or services) of an undertaking.

8.5.2 *Entitlements which relate to the Distinguishing function*¹⁴³

Under this function the holder of the trade mark right is entitled to apply the mark in order to:

8.5.2.1 distinguish his undertaking from other undertakings;

8.5.2.2 distinguish the products of his undertaking from those of other undertakings.

8.5.3 *Entitlements which relate to the Origin function*¹⁴⁴

142. See p 458-464 for a discussion of this function.

143. See p 458-464 for a discussion of the distinguishing function.

144. See p 464-475 for a discussion of the origin function.

Under this function the holder of the right is entitled to apply the mark in order to indicate the origin or source of product (goods and/or services) featuring the mark which -

- 8.5.3.1 can indicate the origin in concrete terms i.e. reveal and/or confirm the identity of the specific undertaking from which the product emanates;
- 8.5.3.2 can also indicate the origin of product in abstract terms i.e. to indicate a constant albeit anonymous source from which the product emanates, or which is accountable for constancy (as to source and/or quality) in the product in relation to which the mark is applied.

8.5.4 *Entitlements which relate to the assurance function*¹⁴⁵

Under this function the holder of the right is entitled to apply the mark in order to:

- 8.5.4.1 assure consumers that the qualities, characteristics or properties of product (goods and/or services) featuring the mark will, in a general sense, be of a consistent quality or, in a narrower sense, indicate that the product will be subject to a single, constant and unified source of quality control;
- 8.5.4.2 to encourage consumers to repeat purchase.

8.5.5 *Entitlements which relate to the advertising function*¹⁴⁶

Under this function, the holder of the trade mark right is entitled to apply the mark in order to:

- 8.5.5.1 provide an advertising device for the creation of product acceptance, consumer loyalty and goodwill;
- 8.5.5.2 create consumer demand for product (goods and/or services);

145. See p 476-482 for a discussion of the assurance function.

146. See p 482-485 for a discussion of the advertising function.

- 8.5.5.3 provide a focus for advertising expenditure and effort in relation to undertakings and products;
- 8.5.5.4 provide the centre about which the associative network and trade mark imago is built up;¹⁴⁷
- 8.5.5.5 encourage consumers to repeat purchase;
- 8.5.5.6 add attributes to the product as the focus of perception advertising.

8.5.6 *Entitlements which relate to the selling function*¹⁴⁸

Under this function the holder of the right is entitled to apply the mark in order to:

- 8.5.6.1 exert an attractive force upon consumers in relation to product (goods and/or services);
- 8.5.6.2 induce consumers to purchase or repeat purchase.

8.5.7 *Entitlements which relate to the goodwill function*¹⁴⁹

Under this function, the holder of the right is entitled to apply the mark in order to:

- 8.5.7.1 symbolise the goodwill of an undertaking;
- 8.5.7.2 symbolise goodwill in the business relating to product (goods and/or services);
- 8.5.7.3 extend consumer interest to all ranges of product featuring the trade mark.

8.5.8 *Entitlements which relate to the information bearing function*¹⁵⁰

Under this function, the holder of the right is entitled to apply the mark in order to:

- 8.5.8.1 encapsulate the associative network and imago of the trade mark;
- 8.5.8.2 encourage consumers to repeat-purchase product.

147. See p 488 regarding the trade mark imago.

148. See p 482-485 for a discussion of the selling function.

149. See p 485-487 for a discussion of the goodwill function.

150. See p 487-489 for a discussion of the information bearing function.

8.5.9 *The communication function*¹⁵¹

Under this function, the holder of the right is entitled to apply the mark in order to:

- 8.5.9.1 disseminate product information to the consumer;
- 8.5.9.2 convey information to consumers either generally, or in particular to assist consumer choice and reduce consumer search costs;
- 8.5.9.3 transmit the signal of the associative network of the mark to consumers;
- 8.5.9.4 transmit the signal of the trade mark imago to the consumer;
- 8.5.9.5 forge a bond between the consumer and the product.

8.5.10 *Entitlements which relate to the property function*¹⁵²

Under this function, the holder of the right is entitled to apply the mark to serve as property and provide security.

8.6 *The entitlements of registered trade marks*

The act of registration of a trade mark is to vest the registered trade mark right in the registrant.

This provides the holder with -

- 8.6.1 the exclusive right to use the mark in relation to the goods or services in respect of which the mark is registered, subject to the limitations and provisions of the Act;¹⁵³
- 8.6.2 the right to deny third parties use of the same or a similar mark in the circumstances giving rise to the statutory infringement actions provided for in section 34 of the Act.¹⁵⁴

151. See p 487-489 for a discussion of the communication function.

152. See section 41 of Act 194 of 1993 and p 663-667 *infra*.

153. See section 2(i)(ix) of Act 194 of 1993.

154. See p 616-627, 632-649 *infra* for a discussion of the infringement actions under the Act.

The first consequence of registration reflects the positive aspect of the subjective right to the trade mark and correlates with the subject/object relationship characteristic of the subjective right.

The second consequence of registration reflects the negative aspect of the operation of the right and correlates with the subject/third parties relationship characteristic of the subjective right.

Registration does not curtail the exercise of the entitlements to which the holder of a subjective right to the trade mark is empowered to exercise. Rather, it provides the holder of the right with specific relief in defined circumstances. Registration does, however, imply that the registered mark has the ability to perform the invariable trade mark function, namely that of distinguishing between undertakings and between product.

A consideration of the circumstances in which the statutory trade mark infringement actions are afforded immediately reveal an impingement upon the origin function and in the case of well-known trade marks, the advertising function. Closer scrutiny, however, reveals that, depending upon the factual presence thereof in the functional matrix of the infringed trade mark at the time of infringement, also a number of other functions can be disrupted in the circumstances giving rise to the statutory actions.

For example: use in the course of trade of an identical or a confusingly or deceptively similar mark to the registered mark in relation to the registered goods or services infringes the registration under section 34(1)(a) of the Act. This form of the statutory infringement action has its roots in common law passing off. Consumers are confused as to the origin of the

goods featuring the counterfeit mark. The origin function is impinged and the goodwill aspect of the trade mark as property is damaged. But this is not the only disruption of function which takes place. The identification, the distinguishing, the quality assurance and also the advertising and communication functions can be impaired as well. In the circumstances of a section 34(1)(a) infringement -

8.6.3 consumers are likely to be confused or deceived -

8.6.3.1 regarding the origin of the product featuring the infringing mark;

8.6.3.2 regarding the identity of the product featuring the infringing mark;

8.6.3.3 regarding the quality of the product assured by the infringing mark.

8.6.4 The functioning of the registered mark will be impaired in -

8.6.4.1 distinguishing genuine product from infringing product;

8.6.4.2 communicating genuine product information to consumers;

8.6.4.3 providing an advertising or selling means or device;

8.6.4.4 fulfilling its function as property where the infringing conduct diminishes the goodwill or advertising value aspects of the trade mark as property.

An examination of the section 34(1)(b) and section 34(1)(c) infringement actions reveals the same phenomenon. Registration does not, therefore, in any way exclude or prevent a registered trade mark from in fact displaying the full range of available functions. It follows that a registered mark can be afforded common law protection under the *actio legis Aquiliae* in respect of all its aspects and functions in addition to the protection afforded by statute.

The statutory and common law protection afforded trade marks is cumulative.

In the final chapter which follows, the theoretical constructs of the preceding chapters of Part 6 are considered in the context of the new South African trade mark law.

CHAPTER 17

THE NEW LAWS

This chapter considers the trade mark statutes enacted in the United Kingdom and in the Republic of South Africa at the time of the completion of this work.

The chapter has a dual purpose.

Firstly, it considers the new trade mark statutes and concludes the historical discourse of the thesis.

Secondly, it considers whether the construction I have placed upon the subjective right to a trade mark in the preceding chapter can provide a theoretical basis for the new South African statute.

The role of the Directive and the new laws in the United Kingdom feature prominently throughout for reasons made clear in the first part of the chapter which deals with the considerations which gave rise to the modernising statutes.

Thereafter, the chapter considers those provisions of the statutes which cast the most light upon the nature of the trade mark right. These concern the definition of a trade mark, the registrability provisions, the infringement provisions and the assignment and licencing provisions.

It appears to me that the new South African trade marks statute has not been drafted with any particular underlying theoretical basis in mind. It seems that in many instances it has been left to the courts to add substance to the provisions of the Act and to decide what the law is, rather than to interpret the law.

The provisions of the statutes and the Directive are for the most part considered alongside each other. I have adopted this approach in order to emphasise that the modernising thrust of the legislation - which has its origins largely in Benelux law adapted for the requirements of the EC¹ - must not be overlooked and the theoretical vacuum created by the new South African Act re-occupied by the outdated but conceptually entrenched doctrines established under the old United Kingdom based legislation.

The danger of this coming about is compounded by the fact that the South African legislature has, perforce, enacted much of the South African statute in the Westminster style language of the statutes of old, whilst Parliament in the United Kingdom has been constrained to enact the Trade Marks Act, 1994 in the language of Brussels.

1. THE BACKGROUND TO THE TRADE MARKS ACT, 1994.²

I have dealt with the background and philosophy of the Directive³ in full elsewhere.⁴ It is clear that the United Kingdom was obliged to give effect to the Directive under the Treaty of Rome.⁵ The Trade Marks Act, 1994 is, therefore, apart from a need to modernise, the result of the United Kingdom's membership of the EU and its obligations to give effect to Common Market policy.

Morcom comments thus:

It is a matter of considerable practical importance that a major purpose of the 1994 Act is to implement the EC Directive. The

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1. Gielen [1992] 8 EIPR 262-269 264.
 2. The United Kingdom statute which came into force on 31 October 1994.
 3. Council Directive 89/104 EEC : OJ L140 11.2.1989.
 4. See chapter 13.
 5. See chapter 12.

*Directive itself can be the subject of interpretation by the European Court of Justice (ECJ) under Article 177 of the Treaty of Rome. Although this procedure may be of less relevance in instances in which the 1994 Act is not in identical terms to the Directive, it is to be noted that the draughtsman of the Act has in fact kept very close to the wording of the Directive; in many instances the wording is identical or virtually so. Therefore it is inevitable, as a practical matter, that courts in the UK will need to pay close attention to the interpretation placed on the provisions of the Directive by the ECJ, and to be ready to request rulings from that court. Rulings of the ECJ on references from other member states will also have to be considered and applied where relevant.*⁶

A number of major philosophical changes to the trade mark law of the United Kingdom have resulted as a consequence. These are:

- 1.1 It is now left to trade mark owners to protect their own interests and the Registrar's discretion, which played an important role under the earlier statutes, has been all but eliminated;
- 1.2 an applicant is presumed to be entitled to obtain registration of a mark unless the Act provides some specific ground of objection thereto;
- 1.3 registered trade marks and trade marks pending registration are specifically accorded the status of property;
- 1.4 in accordance with the view that trade marks are property *per se* restrictive provisions relating to the assignment and licencing of trade marks have been discarded and these matters are now the responsibility of the proprietor.⁷

6. Morcom Trade Marks Act 1994 6.

7. See Morcom Trade Marks Act 1994 7; Annand & Norman Trademarks Act 1994 10.

It is of considerable importance for South African jurists seeking to find guidance in the new trade mark laws of the United Kingdom that the Trade Marks Act, 1994 is part of the European trade mark edifice. The 1994 UK Act is to be interpreted in the light of the wording and purpose of the Directive, the compulsory provisions of which are of direct effect.⁸ Further parts of the United Kingdom trade mark system are provided by the Regulation regarding the Community Trade Mark⁹ and the Madrid protocol to which the United Kingdom has acceded.¹⁰ Furthermore, several provisions of the new Act are directed at giving effect in domestic law to the obligations of the United Kingdom under the Paris Convention.¹¹

Against this background, the primary influences of community upon United Kingdom trade mark law are:

- 1.5 The territorial nature of intellectual property rights in the United Kingdom are subject to the provisions of the EC Treaty relating to the free movement of goods and the establishment of the single market;
- 1.6 the manner of exploitation and the assignment and licencing of trade mark rights are subject to Articles 85 and 86 of the EC Treaty relating to restrictive agreements and the abuse of a dominant position;
- 1.7 the ECJ, charged with the implementation of EC policy, will play a dominant role.¹²

Regarding the ECJ **Annand & Norman** state:

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- 8. See Groom & Abnett *UK Trade Marks Act 1994* 10. See p 320-323 *supra* regarding direct effect of community enactments.
 - 9. Council Regulation No. 40/94/EC: OJ37 14.1.1994.
 - 10. The Protocol Relating to the Madrid Agreement Concerning the International Regulation of Marks (27 June 1989), Cm 1601. See Groom & Abnett *UK Trade Marks Act 1994* 13. The Regulation and Madrid Protocol are dealt with in full at p 334-347, 357-359 *supra*.
 - 11. See sections 55-60; Morcom *Trade Marks Act 1994* 2.
 - 12. See p 360-361 *supra* regarding Articles 30-36 and 85-86 of the EC Treaty and p 359 regarding the ECJ. See Annand & Norman *Trade Marks Act 1994* 5-6.

When asked to interpret a Directive, the Court of Justice, in keeping with the civil law tradition, will adopt the teleological style of interpretation, that is, it will consider the legislation in the light of its objectives, making use of working papers and discussions which preceded its enactment. Accordingly, much emphasis will be placed on the Commission's Explanatory Memorandum accompanying the first (1980) draft of the Directive. It is also likely that reference will be made to the minutes of the meeting of the Council of Ministers which adopted the Community Trade Mark Regulation. Both of these travaux préparatoires will be referred to throughout this book.

British lawyers and their clients will therefore have to accept that the meaning of the key provisions in the 1994 Act can no longer be conclusively determined by the Chancery Division, the Court of Appeal or the House of Lords. The only judicial body which has the authority to give a definitive interpretation of the Directive and any national legislation based on it will be the Court of Justice in Luxembourg. It is this body also which alone can decide, in any action brought by the EC Commission under Article 169 of the EC Treaty, whether the Trade Marks Act 1994 correctly implements the Directive.

The authors go on to say:

National courts have a responsibility to ensure that Community law is enforced in Member States. Where a national court is satisfied that national legislation, whether primary or secondary, or a rule of common law, conflicts with the clear meaning of the Treaty of Rome or any legislation made pursuant to it, the court must "disapply" (to use the language of the Court of Justice) the offending national law. As the House of Lords has made clear in R v Secretary of State for Employment ex parte Equal Opportunities Commission [1994] 2 WRL 409, the Divisional Court has jurisdiction to declare any rule of law, whether derived from the common law, statute or delegated legislation, incompatible with Community law.

For the above reasons, the European dimension to the Trade Marks Act 1994 must be kept constantly in mind.¹³

2. THE BACKGROUND TO THE TRADE MARKS ACT 194 OF 1993¹⁴

The considerations which gave rise to the new South African trade mark statute were founded in perceived shortcomings in the existing law and in considerations of policy.

Thus, the memoranda accompanying publication of the first draft Trade Marks Bill¹⁵ and the Trade Marks Bill, 1993¹⁶ referred to:

- 2.1 The need for South African trade mark law - previously based substantially on the 1938 United Kingdom Act - to be modernised in several respects;
- 2.2 a need discernible in trade and industry for trade marks to receive greater protection;
- 2.3 the perception that trade marks deserve extended protection as commercial assets of great importance and value;
- 2.4 the need for cognisance to be taken of developments in the law in the fields of trade mark law and unlawful competition.

Viewing the foregoing shortcomings in the law cumulatively it is stated in the memorandum accompanying the publication of the Trade Marks Bill, 1993:

It is the view that the present trade marks legislation has not kept pace with the need of trade and industry and developments in the field of the common law. This is particularly the case with regard to matters such as licencing, which "goods" can qualify as trade marks, the criteria

14. The South African Act which came into force on 1 May 1995.

15. See GN 808 in Government Gazette 13482 of 30 August 1991 102-103.

16. Memorandum on the Objects of the Trade Marks Bill, 1993 (henceforth the "Memorandum") [B174B-93 (GA)] 50.

*for registrability, protection against infringement, and the legal remedies available in the event of infringement.*¹⁷

It was also an objective of the Committee which drafted the new legislation to bring South African trade mark law in line with that of the domestic legislation of the EC states, where this would be compatible with South African requirements, as the Member States of the EU are stated to be South Africa's most important trading partners. In this regard the Memorandum states:

South Africa's most important trade partners, the members of the European Community, are rapidly moving towards the modernisation and harmonisation of their trade mark legislation. The first European Directive of the European Community to bring the legislation concerning trade marks of the member countries into agreement (89/104/EEC dated 21 December 1988 - "The European Directive") is of particular importance in this regard. The European Directive requires members of the European Community to amend their domestic legislation relating to trade marks to ensure that such laws are in accordance with the provisions of the Directive. The British White Paper on the Reformation of the Trade Marks Law, dated September 1990, is also of importance. It sets out the manner in which the United Kingdom proposes to amend its Trade Marks Act of 1938 so as to bring it into line with the European Directive.

*The Bill takes several of the above-mentioned developments and requirements into account and proposes amendments to the South African law on trade marks that will bring it into accordance with the European Directive in cases where such principles and proposals are reconcilable with South African requirements.*¹⁸

The Memorandum accompanying the Draft Trade Marks Bill, 1992 goes so far as to speak of harmonising South African law with the Directive. Referring to the developments in Europe set out above, it is stated:

17. Memorandum 50.

18. Memorandum 50.

*The Draft Trade Marks Bill, 1992, takes many of the aforesaid developments and requirements into account and also proposes amendments to South African Trade Mark law which will harmonise it with the European Directive where it (sic) principles and proposals are compatible with South African requirements.*¹⁹

It is my view that if the new South African statute is to succeed as a modernising statute it must not be restricted by an undue attachment to restrictive concepts of the past nor be applied with slavish imitation of what the United Kingdom provides by way of future precedent - thereby implementing a forced rather than a considered Anglo-Eurocentricity. The 1993 Act provides ample scope for South African innovation in response to South African requirements and the application of modern trends of a more universal kind beyond the confines of the European system. In the latter regard the Act includes provisions implementing South Africa's obligations under the Paris Convention and enables it give effect to the obligations it takes on pursuant to TRIPS under GATT.²⁰

Thus, from an international perspective, the Trade Marks Act, 1993, gives effect to:

- 2.5 The principle of national treatment in terms of which nationals of Convention countries are afforded the same treatment under the Act as is afforded to South African

19. See GG 13482, 30 August 1991, par 1.5 102. During 1995 the USA placed South Africa on a US Trade Representative section 301 blacklist of states affording US undertakings inadequate intellectual property protection, as a consequence of the alleged failure of South African law to protect well known U.S. brands. Considerations of trade imperialism aside, it is not unlikely that the Department of State also took note of the Eurocentric orientation of the drafters of the new South African statute stated in the Memoranda to the draft legislation.

20. The Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (TRIPS) in re the General Agreement on Tariffs and Trade (GATT). See Rutherford - An Overview of the Trade Marks Act 194 of 1993 in its International Context - in Visser *New Law: Trade Marks and Designs* 1-82.

nationals;²¹

2.6 a system of claiming convention priority;²²

2.7 the obligation to protect well-known marks belonging to nationals of convention countries.²³

3. *OBTAINING REGISTRATION UNDER THE NEW LAWS*

An applicant who shows that the sign he is seeking to register qualifies as a trade mark under the statutes is presumed entitled to register it unless the application is struck by one or more of the specific absolute or relative grounds for refusing registration set out in the statute. The matter is one of fact and law and the Registrar's discretion, which was a cornerstone of the law under earlier statutes, has almost been eliminated.²⁴

3.1 *Definition of a Trade Mark*

3.1.1 *Under the Directive*

Article 2 of the Directive provides:

Signs of which a trade mark may consist

A trade mark may consist of any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.

21. See Article 2 of the Paris Convention as revised.

22. See Article 4 of the Paris Convention and section 63 of the Act.

23. See Article 6 bis of the Paris Convention. See also Rutherford's succinct contribution, referred to at footnote 20 p 582.

24. Annand & Norman *Trade Marks Act 1994* 40; Webster - *The Registration of Trade Marks* - in Visser *New Law: Trade Marks and Designs* 9-21 10-11; see Art 2 of the Directive which derives from Art 4 of the Regulation. See Groom & Abnett *UK Trade Marks Act 1994* 8, 55; See section 16(2) of the SA Act; White Paper 12-13.

3.1.2 Under the UK Act

The definition of a trade mark in section 1 of the UK Act is taken directly from Article 2 of the Directive and provides:

(1) In this Act a "trade mark" means any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings.

*A trade mark may, in particular, consist of words (including personal names), designs, letters, numerals or the shape of goods or their packaging.*²⁵

The side by side treatment of trade marks and service marks which applied earlier has been eliminated by the new United Kingdom statute.²⁶

3.1.3 Under the SA Act

The South African legislature has resisted the temptation to draft the new Act tersely. To establish the definition of a trade mark regard must be had to sections 2(1)(xxiii) "trade mark", 2(1) (x) "mark" and 2(1) (viii) "device".

These sections provide:

- 3.1.3.1 *S2(1)(xxiii) "trade mark", other than a certification trade mark or a collective trade mark, means a mark used or proposed to be used by a person in relation to goods or services for the purpose of distinguishing the goods or services in relation to which the mark is used or proposed to be used from the same kind of goods or services connected in the course of trade with any other person;*

25. Section 1(2) of the UK Act provides: 'References in the Act to a trade mark include, unless the context otherwise requires, references to a collective mark (see section 49) or certification mark (see section 50).' In the SA Act collective and certification marks are dealt with in sections 42 and 43. This work does not consider these special marks.

26. See White Paper 10; Gyngell & Poulter *Trade Marks* 7.

- 3.1.3.2 S2(1)(x) "*mark*" means any sign capable of being represented graphically, including a device, name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour or container for goods or any combination of the aforementioned;
- 3.1.3.3 S2 (1) (viii) "*device*" means any visual representation or illustration capable of being reproduced upon a surface, whether by printing, embossing or by any other means;
- 3.1.4 *The definition of a trade mark : an overview*

The contrast between the wording of the Directive and the UK Act on the one hand and that of the SA Act on the other, is immediately apparent. The United Kingdom enactment follows the civil law tradition of draftsmanship according to which enactments embody broad principle rather than specific detail. The South African enactment is drafted in the traditional way and is essentially the 1963 definition with the direct incorporation of the connection in the course of trade doctrine eliminated.

The crucial change brought about by the modern definitions is that the modern trade mark is defined in terms of its distinguishing function alone.

Essentially, therefore, if a sign is capable of fulfilling a distinguishing function *de facto* it will qualify as a trade mark. Although examples of signs which may qualify as trade marks are listed no *numerus clausus* of signs which qualify as trade marks is intended.

According to the White Paper regarding the European definition of a trade mark:

This is a flexible definition intended to serve the needs of commerce and is open-ended so as to be capable of adapting to changes in trading practices. In brief, if a sign functions in the marketplace as a

*trade mark, it is to be regarded as a trade mark. The Government fully endorses this approach.*²⁷

The only limitation upon the signs which may qualify as trade marks is that they must be capable of graphical representation. The inclusion of "the shape of goods" in the definition in the UK Act overrules the **Coca-Cola** decision of the House of Lords.²⁸

There is no doubt that colour can function as a distinguishing sign and be the subject of trade mark registration in both territories - the SA Act providing for this specifically in section 2(1)(x). Furthermore, the new definitions imply that sounds insofar as they can be graphically represented, can also serve as trade marks. Section 1(2)(c) of the SA Act refers to audibly reproducible marks specifically. The question in all cases will be one of fact, namely, is the sign concerned capable of graphic representation and of distinguishing products?

The White Paper puts it thus:

2.1.2 The law will therefore neither exclude or make specific provision for the registration as trade marks of colours, sounds or smells. It will be up to an applicant to convince the Registrar (and if necessary the courts) that what he seeks to protect is in fact capable of functioning as a trade mark. It is likely that in most (if not all) cases it will be necessary to prove by evidence that the alleged trade mark is perceived by the public as distinguishing the applicant's goods or services. (See also paragraph 2.1.5.)

2.1.3 The experience in the United States which has long operated an open-ended definition of what may be registered, is that applications to register unusual kinds of trade marks (such as sounds or three-dimensional shapes) are very infrequent and cause no administrative or legal problems.

27. White Paper 7.

28. Coca-Cola Trade Marks [1986] R.P.C. 421, discussed at p 101-102 *supra*.

*2.1.5 For most trade marks of course this will simply be a facsimile of the word or device constituting the mark. How this can best be achieved in other cases is a matter to be worked out between applicants and the Trade Marks Registry; for example a three-dimensional mark might be portrayed by one or more drawings and/or described in words, and a sound mark could be represented in conventional musical notation or described in words. It would be an unreasonable burden on the public and the Registry alike however if the latter had to accept three-dimensional specimens or recordings of sounds.*²⁹

It is to be noted that the wording of the enactments refer to a capability of graphic representation and do not require the mark concerned to be in graphic form when in use.³⁰

According to some writers the ingenuity which trade mark owners will apply to the open-ended definition will give rise to further developments in the range of protection afforded traders by trade mark law. It is also suggested that a verbal description of the mark is likely to qualify as a graphical representation thereof. This is the practice in the U.S.A.. The essential enquiry, it has been suggested, will always be whether or not the mark claimed can be identified by means of an inspection of the Register.³¹

My conclusion that the distinguishing function is the single invariable trade mark function is congruent with the definition of a trade mark set out in the new statutes and provides a basis for the definition.

29. White Paper 8; See Rutherford 2.

30. See Gyngell & Poulter *Trade Marks* 5; section 103(2) of the UK Act provides: 'References in this Act to use (or any particular description of use) of a trade mark, or of a sign identical with, similar to, or likely to be mistaken for a trade mark, include use (or that description of use) otherwise than by means of a graphic representation.'

31. See Groom & Abnett *UK Trade Marks Act 1994* 20-21. Morcom *Trade Marks Act 1994* 9-10.

In regard to the definition of a trade mark and the significance thereof, my construction is the following.

Trade marks (and other signs for that matter) can fulfil multiple functions. For a sign to qualify as a trade mark, however, it requires the property of distinctiveness, that is, it must fulfil or be capable of fulfilling the function of distinguishing product. It is this function alone which affords a particular sign registrability and statutory protection as a trade mark upon its registration.

It is important for the purposes of this work to consider whether the definition of a trade mark in terms of its distinguishing function only has removed the restrictive hold which the origin function, under the "connection in the course of trade" doctrine or otherwise, has, historically, extended over the protection afforded trade marks.³²

According to **Morcom**, it was never necessary for a trade mark, in fulfilling its traditional trade mark function of denoting the trade origin of goods, to establish the identity of the proprietor. This was expressly confirmed in the definition of a trade mark under section 68(1) of the 1938 UK Act. In his view, there is no reason to suppose that the new law has changed the position in this respect. The connection in the course of trade doctrine was adopted to indicate relationships between the proprietor of the mark and the goods it featured which were specified in section 3 of the 1905 Act i.e. manufacture, selection, certification, dealing with or offering for sale. Relationships of this kind indicated that the goods were those of the proprietor of the trade mark, in other words, indicated

32. See p 105-106 *supra* regarding the doctrine.

the origin of the goods featuring the mark. The new definition reflects the old law: a trade mark enables the source of goods to be identified (in terms of their origin) and, therefore, to distinguish the goods with reference to their source. **Morcom** concludes:

*Essentially, whatever the wording used, a trade mark or a service mark was an indication which enable the goods or services from a particular source to be identified and thus distinguished from goods or services from other sources. In adopting a definition of "trade mark" which simply describes the function in terms of capability of "distinguishing the goods or services of one undertaking from those of other undertakings" the new law is really saying precisely the same thing.*³³

In my view, this is too narrow an approach and the view of **Gyngell & Poulter** is to be preferred where they state the following in regard to the removal of the "connection in the course of trade" requirement from the new UK Act:

*The omission of this requirement means that the commercial exploitation of signs through character merchandising, franchising and other licencing operations which may amount to treating the sign as a commodity will not, of itself, mean that the sign cannot be considered to be a trade mark.*³⁴

The latter view encapsulates the essential break with the past which must be made if modernisation is to take place. The crucial modernising principle - particularly in the context of the Common Law - is to afford trade marks full protection as discrete items of property. In the context of South African law it requires acceptance that trade marks perform multiple functions and all functions which a particular trade mark displays *de facto* at a given time must be afforded protection cumulatively under statute and common law.³⁵

33. See *Morcom Trade Marks Act* 1994 10-11.

34. *Gyngell & Poulter Trade Marks* 8.

35. See p 498, 574 *supra*.

The significance of the words "connected in the course of trade" in the new South African definition of a trade mark, albeit in a different context than before, requires closer scrutiny.

Under the rules of Interpretation of Statutes the words "connected in the course of trade" contained in section 2(1)(xxiii) of the SA Act cannot be discarded as merely gratuitous but must be given a meaning.

According to **Webster**, the words mean goods or services connected in the course of trade with persons other than the trade mark proprietor.³⁶ This is clearly so. In my view the words are restrictive. Their effect is that although a trade mark is by definition no longer required to indicate the origin of product (goods or services) but to distinguish product - the manner of distinguishing under the SA Act is essentially with reference to a notional source or origin of other products which are connected in the course of trade elsewhere. The concept is indirectly maintained. This is in contradistinction to the continental wording which focuses upon the mark itself. The means of distinguishing is with reference to the legal or factual distinguishing qualities of the mark itself untrammelled by other considerations or doctrines. It appears to me that the presence of the "connection in the course of trade" doctrine in the revised South African definition provides an ill-suited tail which is bound to wag with uncertain consequences.

3.2 *Intention to Use*

The definition of a trade mark in the 1993 SA Act requires a purposeful intention regarding use on the

36. See Webster 20.

part of the owner, namely, the mark is to be used or proposed to be used in relation to goods or services for the purpose of distinguishing them from goods or services elsewhere connected in the course of trade as discussed above.³⁷

The United Kingdom Act merely requires the applicant to state either that the mark is in use by him or by another with his consent in relation to the goods or services in respect of which registration is sought, or that he has the *bona fide* intention that the mark should be so used.³⁸

Under the UK Act, therefore, the proprietor merely intends the mark to be used in relation to the registered goods or services and this is not related to the definition of a trade mark. Under the SA Act, the use contemplated must have a defined purpose - to distinguish the products of the proprietor with reference to the source of goods or services which are not those of the owner.

Thus, whether or not this was intended, the definition of a trade mark in the 1993 SA Act follows the construction of **Morcom** in regard to the UK Act and maintains a strong link with origin theory.

3.3 *Distinctiveness*

In order to be registered a trade mark must be distinctive in law at the time of the application for its registration. Under the new laws trade marks which are *de facto* distinctive are distinctive *de iure*.

The historical investigations of the work regarding the distinctiveness requirement as it has developed in the

37. See section 2(1)(xxiii) set out at par 3.1.3.1 above.

38. Per section 32(2). The section also has consequences in relation to licensing; see p 668 *infra*.

trade mark laws of the United Kingdom, South Africa and the U.S.A. has revealed a considerable body of technical law associated therewith.

In the past, different criteria were applied in order to obtain the registration of trade marks of different strengths in Part A or Part B of the Register in the United Kingdom and in South Africa.

In adopting the continental approach the 1994 UK Act has eliminated provisions setting out specific distinctiveness criteria and the registrability of a sign which qualifies as a trade mark is determined with reference to the listed absolute and relevant grounds for refusal and revocation.

The South African Act, however, maintains a section according to which the distinctiveness of a mark is to be tested and which provides:

Registrable trade marks

9.(1) *In order to be registrable, a trade mark shall be capable of distinguishing the goods or services of a person in respect of which it is registered or proposed to be registered from the goods or services of another person either generally or, where the trade mark is registered or proposed to be registered subject to limitations, in relation to use within those limitations.*³⁹

9.(2) *A mark shall be considered to be capable of distinguishing within the meaning of subsection (1) if, at the date of application for registration, it is inherently capable of so distinguishing or it is capable of distinguishing by reason of prior use thereof.*

39. Section 2(1)(ix) of the SA Act provides: " 'limitation' means any limitation of the exclusive right to use of a trade mark given by the registration thereof, including a limitation of that right as to the mode of use, as to use in relation to goods to be sold, or otherwise traded in, or as to services to be performed, in any place within the Republic, or as to use in relation to goods to be exported from the Republic;".

It is worth noting that section 9(1) does not repeat the "connection in the course of trade" phraseology of the definitions section.

Hence, for a mark to be regarded distinctive under the new SA Act it must be "capable of distinguishing" goods or services. This it will be if, at the time of application, it is either -

- 3.3.1 inherently distinctive;
- 3.3.2 *de facto* distinctive through use;
- 3.3.3 both of the foregoing.⁴⁰

3.4 *Grounds for refusal or invalidity*

The new UK Act regards all trade marks *prima facie* registrable unless they must be refused registration on the basis of one or more of the express grounds for refusal set out in the statute.

The new SA Act adopts a similar approach although, as I have observed, section 9 provides a specific description of distinctiveness which, if satisfied, entitles the applicant to registration unless the application is struck by one or more of the absolute or relative grounds of refusal. The grounds of refusal provided for in the SA Act are briefly dealt with below, *seriatim*.

My approach has been to concentrate upon the grounds for refusal provided for in the SA Act and, in dealing therewith, to reveal the differences - where differences exist - between these grounds and those of the Directive and the UK Act.

40. See Webster 9-10.

Insofar as the South African legislature has not followed the wording of the UK Act in many respects, South African courts will be constrained to give effect to the letter of the South African enactment according to the South African rules regarding the interpretation of statutes and to depart from interpretations of the equivalent provisions of the UK Act and the Directive placed thereon by the courts of the United Kingdom and by the ECJ, respectively, where the interpretations of the latter courts cannot be reconciled with the terms of the South African enactment. Essentially, in not following the wording of the UK Act closely, the harmonisation of South African trade mark law with that of its European trading partners, if this was truly intended, is unlikely to materialise beyond the local adoption of certain general concepts.

3.4.1 *Absolute Grounds*

The absolute grounds of refusal are those based upon characteristics in the mark itself which render it non-registrable, or if registered, expungeable from the register.

These grounds are set out specifically in article 3 of the Directive, sections 3 and 4⁴¹ of the UK Act and sections 10(1) to 10(13), inclusive, of the SA Act.

The UK provisions follow those of the Directive. The grounds therein set out are to be found also in the SA Act. The SA Act, however, has its own terminology, its provisions differ from the European grounds in certain respects and it contains additional grounds not found in the Directive or the UK Act.

41. Section 4 relates to specially protected emblems.

3.4.1.1 Section 10(1) - SA Act

Section 10(1) of the SA Act provides the first absolute ground of refusal, namely that a mark which does not constitute a trade mark, cannot be registered. The same ground is to be found in section 3(1)(a) of the UK Act and Article 3(1)(a) of the Directive. Insofar as the SA Act, as I have already pointed out, features a more elaborate definition of a trade mark than does the UK Act and the Directive, the South African provision is not necessarily congruent with the new UK law and that which is contemplated by the Directive.

3.4.1.2 Section 10(2) denies registrability to marks of the following kind:

10(2) a mark which -

(a) is not capable of distinguishing within the meaning of section 9;

or

(b) consists exclusively of a sign or an indication which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or other characteristics of the goods or services, or the mode or time of production of the goods or of rendering of the services; or

(c) consists exclusively of a sign or an indication which has become customary in the current language or in the bona fide and established practices of the trade;.

Section 10(2)(a) is the equivalent of Article 3(1)(6)(b) of the Directive and section 3(1)(b) of the UK Act. Again it must be borne in mind that the South African Act, in section 9, provides a statutory definition of distinctiveness which is not to be found in the UK Act and the Directive. Therefore, in this instance also, it cannot be accepted that South African law in regard to this ground is the same in all respects as that provided for in the UK Act and which is contemplated by the Directive.

Section 10(2)(b) and (c) of the SA Act are the same as the provisions of Article 3(1)(c) and (d) of the Directive and section 3(1)(c) and (b) of the UK Act.

The provisions in section 10(2)(a), (b) and (c) of the SA Act and those in the equivalent articles and sections of the Directive and the UK Act are subject to the proviso that a mark of the kind therein defined which has become *de facto* distinctive through use prior to the date of application for its registration is registrable.⁴²

3.4.1.3 Section 10(3) of the SA Act introduces an absolute ground of refusal which is not contained in the UK Act or in the Directive. Under section 10(3) "a mark in relation to which the applicant for registration has no *bona fide* claim to proprietorship" is to be refused registration.

3.4.1.4 Section 10(4) of the SA Act renders marks of the following kind disentitled to registration:

*10(4) A mark in relation to which the applicant for registration has no bona fide intention of using it as a trade mark, either himself or through any person permitted or to be permitted by him to use the mark as contemplated by section 38;*⁴³

Section 32(3) of the UK Act requires that an application for registration of the mark shall state that the applicant has a *bona fide* intention of using the

42. See the proviso to section 3(1) of the UK Act and article 3(3) of the Directive. The proviso to section 10 of the SA Act determines: 'Provided that a mark shall not be refused registration by virtue of the provisions of paragraph (2) or, if registered, shall not be liable to be removed from the register by virtue of the said provisions if at the date of the application for registration or at the date of an application for removal from the register, as the case may be, it has in fact become capable of distinguishing within the meaning of section 9 as a result of use made of the mark.'

43. Section 38 relates to permitted use and registered users.

trade mark himself or by another with his consent. The requirement is not elevated to an element of the definition of a trade mark or to an absolute ground of refusal as is the case in the SA Act.⁴⁴

3.4.1.5 Section 10(5) of the SA Act disentitles registration to marks of the following kind:

10(5) a mark which consists exclusively of the shape, configuration or colour of goods where such shape, configuration or colour is necessary to obtain a specific technical result, or results from the nature of the goods themselves;.

The equivalent section (3(2)) in the UK Act and Article 3(1)(e) of the Directive refer to shape only and "configuration" and "colour" are not included as they are in the SA Act. Thus, the equivalent South African section is more restrictive than its European counterparts.

3.4.1.6 Section 10(6) of the SA Act provides that marks of the following kind are not registrable:

*10(6) subject to the provisions of section 36(2), a mark which, on the date of application for registration thereof, or, where appropriate, of the priority claimed in respect of the application for registration thereof, constitutes, or the essential part of which constitutes, a reproduction, imitation or translation of a trade mark which is entitled to protection under the Paris Convention as well-known trade mark within the meaning of section (35)(1) of this Act and which is used for goods or services identical or similar to the goods or services in question;.*⁴⁵

There is no equivalent absolute ground for refusal

44. See p 584, 594 *supra*.

45. Section 36(2) of the Act deals with vested rights in connection with well-known trade marks.

provided for in the UK Act or in the Directive. The protection afforded well-known marks under the new laws is dealt with fully below.⁴⁶

3.4.1.7 Section 10(7) of the SA Act denies a mark registration where the application for its registration was made *mala fide*. The equivalent provision in the Directive - Article 3(2)(d) refers to applications made in bad faith by the applicant whilst section 3(6) of the UK Act provides:

A trade mark shall not be registered if or to the extent that the application is made in bad faith.

3.4.1.8 The absolute ground for refusal provided for in sections 10(8) and 10(9) relate to marks of the following specific kind:

10(8) a mark which contains the coat of arms, seal or national flag of the Republic or, save with the authorization of the competent authority of the convention country concerned, of any convention country;

10(9) a mark which contains any word, letter or device indicating State patronage;

Such specially protected emblems are provided for in sections 3(5) and 4 of the UK Act and Article 3(1)(h) and 3(2)(b) and (c) of the Directive.

3.4.1.9 Section 10(10) of the SA Act renders "a mark which contains any mark specified in the regulations as being for the purposes of this section a prohibited mark" disentitled to registration. There is no equivalent provision in the UK Act or in the Directive.

3.4.1.10 Section 10(11) introduces a further absolute ground for refusal which is unique to the SA Act and which

46. See p 627 *infra*.

disentitles from registration -

10(11) a mark which consists of a container for goods or the shape, configuration, colour or pattern of goods, where the registration of such mark is or has become likely to limit the development of any art or industry;.

3.4.1.11 Section 10(12) disentitles from registration -

10(12) a mark which is inherently deceptive or the use of which would be likely to deceive or cause confusion, be contrary to law, be contra bonos mores, or be likely to give offence to any class or persons;.

This is largely an exclusively South African provision, also, but which with Section 10(3) does share some common features with section 3(3) of the UK Act which provides:

A trade mark shall not be registered if it is -

- (a) contrary to public policy or to accepted principles of morality, or*
- (b) of such a nature as to deceive the public (for instance as to the nature, quality or geographical origin of the goods or service).*

This section of the UK Act is the direct equivalent of Articles 3(1)(f) and (g) of the Directive.

3.4.1.12 The final absolute ground of refusal provided for in the SA Act disentitles from registration -

10(13) a mark which, as a result of the manner in which it has been used, would be likely to cause deception or confusion;.

This is a theoretically sound section which is likely to become one of the cornerstones of the Act, especially in regard to deceptive use resulting from licencing or assignment. Where the confusion or deception is in relation to the rights of others this ground, however, takes on the nature of a relative ground.

3.4.2 Absolute grounds : An overview

In view of the provisions of sections 10(3), (4), (6), (10), (11) and (13), which comprise additional or hybrid absolute grounds for refusal in the South African Act which are not contained in the UK Act or in the Directive, and sections 10(5) and (12) which are more limiting than their counterpart provisions in the UK Act and the Directive, the SA Act is distinctly more restrictive in its provisions relating to the absolute grounds of refusal than is both the UK Act and the Directive.

Under the Directive, the absolute grounds of refusal which relate to specially protected emblems and applications made in bad faith are not peremptory although the legislature of the United Kingdom has chosen to include them.⁴⁷

The UK Act features an absolute ground particular to the United Kingdom in section 3(4) which provides:

3(4) A trade mark shall not be registered if or to the extent that its use is prohibited in the United Kingdom by any enactment or rule of law or by any provisions of Community Law.

The essential difference in approach between the old and the new laws is that whereas under the old laws a mark had to meet a number of conditions before it would be registrable,⁴⁸ under the new laws a mark is registrable unless it conflicts with one or more of the specifically stated grounds for refusal.⁴⁹

47. See article 3(2) of the Directive and sections 3(5) and 4 of the UK Act.

48. See p 96, 250 *supra*.

49. See Groom & Abnett *UK Trade Marks Act 1994* 37.

3.4.3 *Relative Grounds*

The relative grounds for refusal of a trade mark in the new laws are to be found in sections 10(14), (15), (16) and (17) of the SA Act, sections 5 and 6 of the UK Act and Article 8 of the Directive.

The provisions relating to the relative grounds for refusal in the SA Act differ substantially from those of the Directive and the UK Act.

The relative grounds for refusal in the SA Act are as follows.

3.4.3.1 Under section 10(14), registration will be refused to an identical or similar mark to a registered mark in circumstances where use of the mark applied for in relation to the goods or services in respect of which registration is sought and which are the same or similar to the goods or services in respect of which the registered mark is registered, would be likely to deceive or cause confusion. The provisions of this section are subject to the provisions of section 14 (which relate to honest concurrent use). The consent of the proprietor of the registered mark to the registration of the conflicting mark applied for overcomes the obstacle to registration provided by section 10(14), absolutely.⁵⁰

3.4.3.2 Subject to the provisions of sections 14 and 10(16), section 10(15) denies a mark registration in the same circumstances as those set out in paragraph 3.4.3.1 where the same or a similar mark is the subject of an earlier application for registration. In this instance also the consent of the prior applicant overcomes the obstacle presented by section 10(15), absolutely.⁵¹

50. See section 10(14).

51. See section 10(15).

3.4.3.3 Section 10(16) provides for circumstances where a prior applicant has "existing rights" and registration of the earlier application would be "contrary thereto". In these circumstances the later application prevails and the earlier application is disentitled to registration in such circumstances.⁵²

3.4.3.4 Section 10(17) provides a relative ground for refusal in circumstances where registration is sought of a mark which is the same or similar to a registered mark which is well-known in the Republic of South Africa where use of the mark applied for will dilute the registered mark i.e. "if the use of the mark sought to be registered would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of deception and confusion".⁵³

The Act does not provide specific assistance to an applicant on the basis of consent in relation to the grounds described in section 10(16) and 10(17). This seems to imply that the legislature intended to exclude consent. A curious result then comes about for there is no apparent basis for the holders of existing rights to have the right to waive them in the circumstances described in sections 10(14) and 10(15) but not in the circumstances described in sections 10(16) and 10(17).

3.4.3.5 The provisions of Article 4 of the Directive underpin sections 5 and 6 of the UK Act in which the relative grounds for refusal of registration are set out. Under the Directive certain of the relative grounds are mandatory whilst others are optional. The provisions of the Directive are aptly summarised by **Gielen**. In regard to the mandatory relative grounds **Gielen** states:

52. See section 10(16).

53. See section 10(17).

Article 4(1) and (2), the mandatory provisions, deal with the conflicts with earlier rights. A registration shall be refused or, if registered, shall be liable to be declared invalid if:

- it is identical with an earlier mark and registered or applied for in connection with identical goods or services or*
- if it is similar to an earlier mark for similar goods or services and because of that there is likelihood of confusion.*

*Earlier trade marks are those CTMs, national or international trade marks, which were applied for before the date of application of the trade mark and furthermore the trade marks which on the date of application of the mark are well known in the sense of Article 6 bis Paris Convention.*⁵⁴

In regard to the optional relative grounds of refusal he writes:

Seven grounds are mentioned as optional grounds for refusal or invalidation of later trade marks in conflicts with earlier rights, characterised as follows:

4(4)(a) the later trade mark is identical with, or similar to, earlier marks for non-similar goods or services which have a reputation provided that the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark;

4(4)(b) rights to earlier non-registered marks or other signs (such as trade names) were acquired prior to date of application for registration of the later mark (or priority date claimed therefor) if the proprietor has the right to prohibit the use of a later mark;

4(4)(c) on the basis of other earlier rights such as:

- name rights (for example the name of the artist Madonna versus the mark Madonna for music cassettes);*
- personal portrayal rights;*
- copyrights;*
- industrial property rights (for example, the rights to the name of a plant variety, if the proprietor has the right to prohibit the use of a later mark);*

4(4)(d-f) the so-called vulture prohibition: the trade mark is identical with/similar to certain expired rights to collective or certification marks and to individual marks if the later rights are acquired within specified periods after the relevant expiration date.

*4(4)(g) the applicant was acting in bad faith, based upon the likelihood of confusion between the later trade mark and an earlier trade mark in use abroad.*⁵⁵

The UK Act adopts the concept of "earlier trade mark" from the Directive and defines it in section 6. In this way, United Kingdom trade marks, international trade mark registrations in the UK under the Madrid protocol, community trade marks (CTM's) and considerations of priority under the Paris Convention are provided for.⁵⁶

Section 6 of the UK Act further distinguishes the new UK legislation from that of the SA Act in affording a clear illustration of the loss of autonomy of the United Kingdom legislature in regard to trade marks, which are made subject to the obligations of the United Kingdom under the EU treaties, the Madrid Protocol and the Paris Convention.⁵⁷

55. Gielen 265-266.

56. See section 6 of the UK Act.

57. Section 6 of the UK Act provides: "Meaning of 'earlier trade mark' (1) in this Act an 'earlier trade mark' means - (a) a registered trade mark, international trade mark (UK) or Community trade mark which has a date of application for registration earlier than that of the trade mark in question, taking account (where appropriate) of the priorities claimed in respect of the trade marks. (b) a Community trade mark which has a valid claim to seniority from an earlier registered trade mark or international trade mark (UK), or (c) a trade mark which, at the date of application for registration of the trade mark in question or (where appropriate) of the priority claimed in respect of the application, was entitled to protection under the Paris Convention as a well known trade mark. (2) References in this Act to an earlier trade mark include a trade mark in respect of which an application for registration has been made and which, if registered, would be an earlier trade mark by virtue of subsection (1)(a) or (b), subject to its being so registered. (3) A trade mark within subsection (1)(a) or (b) whose registration expires shall continue to be taken into account in determining the registrability of a later mark for a period of one year after the expiry unless the registrar is satisfied that there was no bona fide use of the mark during the two years immediately preceeding the expiry."

The mandatory provisions of the Directive are taken up in sections 5 and 6 of the British Act as are certain of the optional provisions.⁵⁸

It is significant to note that in terms of section 5(5) all of the relative grounds for refusal of registration can be overcome with the consent of the holder of the earlier right - which is apparently not the case in South Africa.

3.5 *The Registrar's Discretion*

It is to be noted that the application of both the

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58. Section 5 of the UK Act provides: "*5 Relative grounds for refusal of registration* (1) A trade mark shall not be registered if it is identical with an earlier trade mark and the goods or services for which the trade mark is applied for are identical with the goods or services for which the earlier trade mark is protected. (2) A trade mark shall not be registered if because - (a) it is identical with an earlier trade mark and is to be registered for goods or (b) it is similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier trade mark is protected. there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark. (3) A trade mark which - (a) is identical with or similar to an earlier trade mark, and (b) is to be registered for goods or services which are not similar to those for which the earlier trade mark is protected, shall not be registered if, or to the extent that, the earlier trade mark has a reputation in the United Kingdom (or, in the case of a Community trade mark, in the European Community) and the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark. (4) A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented - (a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, or (b) by virtue of an earlier right other than those referred to in subsections (1) to (3) or paragraph (a) above, in particular by virtue of the law of copyright, design right or registered designs. A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of an 'earlier right' in relation to the trade mark. (5) Nothing in this section prevents the registration of a trade mark where the proprietor of the earlier trade mark or other earlier right consents to the registration."

absolute and relative grounds of refusal and removal are matters of fact and of law binding upon the Registrar. In the event of the Registrar making a finding of fact or of law in relation thereto he is bound to refuse registration or expunge the entry, as the case may be, subject to the provisions of the Act. In relation to the registration provisions, also, there is no provision in the new laws for the exercise of an extensive discretion by the Registrar as in the past.⁵⁹

3.6 *Disclaimers*

The revocation of the Registrar's discretion is less complete in the SA Act than in the UK Act. A good illustration of this is afforded by the manner in which disclaimers are entered upon the Register under each Act.

In terms of section 15 of the South African Act the Registrar, as a condition of a mark being registered or remaining on the Register, may require the proprietor of the mark to disclaim the non-distinctive matter or enter some other memorandum against the entry for the purpose of defining the rights afforded by the particular registration.

The Registrar in the UK has no such discretion. In terms of section 13 of the UK Act, an applicant faced with objections raised by the Registrar or by a third party in opposition proceedings may voluntarily, in order to overcome the objection, enter a disclaimer or other limitation against the entry and any registration subsequently obtained will be restricted thereby. The Act does not empower the Registrar to require or request disclaimers or limitations of his own accord.⁶⁰

59. See Groom and Abnett *UK Trade Marks Act 1994* 8.

60. See section 13 and Gyngell & Poulter *Trade Marks* 62.

4. *PROPERTY IN REGISTERED MARKS IN THE UK*

The UK Act has at last recognised in specific terms that a registered trade mark must be regarded as property. Section 2(1) of the Act provides:

2(1) A registered trade mark is a property right obtained by the registration of the trade mark under this Act and the proprietor of a registered trade mark has the rights and remedies provided by this Act.

Section 22 of the Act provides:

22 Nature of registered trade mark

A registered trade mark is personal property (in Scotland, incorporeal movable property).

As to the rights conferred by a registered trade mark in the United Kingdom section 9(1) of the Act provides:

The proprietor of a registered trade mark has exclusive rights in the trade mark which are infringed by use of the trade mark in the United Kingdom without his consent.

The exclusive rights of the proprietor of a registered trade mark in the United Kingdom are delimited by -

- 4.1 the description of the actions which comprise the statutory infringements which are set out in section 10 of the Act;
- 4.2 the limited defence against infringement provided by section 10(6);
- 4.3 the limitations upon infringement provided for in sections 11 and 12;
- 4.4 the effect of voluntary disclaimers and limitations entered against the registration pursuant to section 13(1).⁶¹

61. See Gynge & Poulter *Trade Marks* 115.

As pointed out earlier, it was established under the early statutes that registered trade marks are a species of property in the United Kingdom. It was not however clear whether this property was included in a recognised category or was to be regarded as *sui generis*. The 1994 Act has, therefore, settled this aspect of the matter.⁶²

5. *PROPERTY IN UNREGISTERED MARKS IN THE UK*

The question arises whether the statutory recognition of property in registered trade marks will lead to developments in the common law which recognise property in unregistered marks beyond mere appurtenance to the goodwill of the business in connection with which they are used, as was held in *Spalding v Gamage*.⁶³

Annand & Norman suggest that registered trade marks could attract property rights in time because:

(a) The 1994 Act, in section 56, by implementing the obligation in the Paris Convention to protect well-known marks, provides that the owner of such a mark can obtain injunctive relief "whether or not that person carries on business, or has any goodwill, in the United Kingdom". The provision protecting well-known marks therefore treats them as being independent of the goodwill of the business.

*(b) The Court of Appeal in Taittinger v Allbev Ltd [1993] 2 CMLR 741, anticipating section 10(3) of the 1994 Act, has recently extended passing off to cover the dilution of an unregistered mark. Dilution is the gradual erosion of the mark's selling power. The action for dilution is based on the assumption that the trade mark is a valuable item of property in its own right and that it is a means for creating goodwill, rather than being part of goodwill.*⁶⁴

62. See p 220 *supra*.

63. A.G. Spalding & Bros v A.W. Gamage Ltd (1915) 32 R.P.C. 273 discussed at p 77-81 *supra*.

64. Annand & Norman *Trade Marks Act 1994* 11. The Court of Appeal held that there would be a real injury to the goodwill of the champagne houses if marketing of a non-genuine product continued in a way which would lead to a blurring or erosion of the uniqueness of the word champagne and a debasement of the exclusive reputation of the champagne houses in the word (p 753 of the report).

Although conclusion (b) is too broadly stated as the court found an injury to goodwill, I nevertheless believe the time has come for it to be acknowledged that the approach of **Lord Westbury** in equity was correct after all.⁶⁵ Trade marks are property - whether registered or not. That they fulfil important functions in relation to the goodwill of enterprises does not negate this.⁶⁶

The mere act of registration does not transmute common law marks into property but facilitates enforcement of rights thereunder, as was the primary and continuing intention from the earlier statutes.⁶⁷

6. *INFRINGEMENT*

The new laws have extended the infringement action considerably both in the United Kingdom and in South Africa.⁶⁸

6.1 *Registration prerequisite*

Only registered marks are afforded an infringement action under the UK Act.⁶⁹ The date of registration, provided registration ensues, is the date of application for registration.⁷⁰

The position is the same in South Africa.⁷¹

6.2 *Acts of infringement: UK*

65. See section 10(1) of the Act.

66. See p 177-187 *supra*.

67. See p 44-51, 58-62, 85-88 *supra*.

68. See Groom and Abnett *UK Trade Marks Act 1994* 87, Job: 'The Infringement of Trade-Mark Rights' - in Visser *New Law: Trade Marks and Designs* 22-34 22.

69. See sections 9(3)(a).

70. See sections 9(3) and 40(3).

71. See sections 29(1)(b) and 33 of the SA Act.

There are six acts of infringement defined in sections 10(1) to 10(3) (inclusive) of the UK Act. The elements thereof are the following:

6.2.1 *Under section 10(1) (identical sign and product)*

- 6.2.1.1 Unauthorised use,
- 6.2.1.2 in the course of trade,
- 6.2.1.3 of an identical sign to the registered mark,
- 6.2.1.4 in relation to identical goods or services to those registered.⁷²

6.2.2 *Under section 10(2)(a) (identical sign, similar product)*

- 6.2.2.1 Unauthorised use,
- 6.2.2.2 in the course of trade,
- 6.2.2.3 of an identical sign to the registered mark,
- 6.2.2.4 on similar goods to those registered,
- 6.2.2.5 resulting in a likelihood of confusion on the part of the public,
- 6.2.2.6 which includes the likelihood of association with the registered trade mark.⁷³

6.2.3 *Under section 10(2)(b) (similar sign, identical product)*

- 6.2.3.1 Unauthorised use,
- 6.2.3.2 in the course of trade,
- 6.2.3.3 of a similar sign to the registered mark,
- 6.2.3.4 in relation to identical goods or services to the registered mark,
- 6.2.3.5 resulting in a likelihood of confusion on the part of the public,
- 6.2.3.6 which includes the likelihood of association with the registered trade mark.⁷⁴

72. See section 10(1) of the Act.

73. See section 10(2)(a).

74. See section 10(2)(b).

6.2.4 *Under section 10(2)(b) (similar sign and product)*

- 6.2.4.1 Unauthorised use,
- 6.2.4.2 in the course of trade,
- 6.2.4.3 of a similar sign to the registered mark,
- 6.2.4.4 in relation to similar goods or services to those registered,
- 6.2.4.5 resulting in a likelihood of confusion on the part of the public,
- 6.2.4.6 which includes the likelihood of association with the registered trade mark.⁷⁵

6.2.5 *Under section 10(3) (identical sign, dissimilar product)*

- 6.2.5.1 Unauthorised use,
- 6.2.5.2 in the course of trade,
- 6.2.5.3 of an identical sign
- 6.2.5.4 to the registered mark which has a reputation in the United Kingdom,
- 6.2.5.5 in relation to dissimilar goods or services to those registered,
- 6.2.5.6 where use of the sign,
- 6.2.5.7 which is without due cause,
- 6.2.5.8 takes unfair advantage of,
- 6.2.5.9 or is detrimental to,
- 6.2.5.10 the distinctive character
- 6.2.5.11 or repute of the registered trade mark.⁷⁶

6.2.6 *Under section 10(3) (similar sign, dissimilar product)*

- 6.2.6.1 Unauthorised use,
- 6.2.6.2 in the course of trade,
- 6.2.6.3 of a similar sign
- 6.2.6.4 to the registered mark which has a reputation in the United Kingdom,

75. See section 10(2)(b).

76. See section 10(3).

- 6.2.6.5 in relation to dissimilar goods or services to those registered,
- 6.2.6.6 where use of the sign,
- 6.2.6.7 which is without due cause,
- 6.2.6.8 takes unfair advantage of,
- 6.2.6.9 or is detrimental to,
- 6.2.6.10 the distinctive character
- 6.2.6.11 or repute of the registered trade mark.⁷⁷

Sections 10(1) - 10(3) of the UK Act bear a close relation to the provisions of section 5 (1) - 5(3), which concern the relative grounds for refusal of registration. This affords the registration, infringement and expungement provisions of the UK Act a coherence and regularity which is not as evident in the SA Act.

I have already observed that the relative grounds provided for in section 5 of the UK Act utilise the concept of "earlier trade mark" which gives effect to the Community, Madrid Protocol and other convention obligations of the United Kingdom.

This concept must necessarily be excluded from the SA Act as South Africa is not a part of the system it contemplates.

The concept of "the likelihood of association" is new to United Kingdom trade mark law and is derived from Benelux jurisprudence. Essentially, the concept relates to similarity between marks and a likelihood of association is established where the public forms a mental association between marks which is evoked merely on the basis of their resemblance without actual confusion arising.⁷⁸

77. See section 10(3).

78. See Annand & Norman *Trade Marks Act 1994* 155; Morcom *Trade Marks Act 1994* 23; see also par 6.3 p 613 *infra* where the concept is considered in the context of Benelux law.

Section 10(1) of the UK Act gives effect to Article 5(1)(a) of the Directive whilst section 10(2) gives effect to Article 5(1)(b) thereof. So too section 10(3) gives effect to Article 5(2) of the Directive whilst section 10(4) gives effect to Article 5(3) of the Directive.

It is to be noted, however, that in regard to the acts of infringement the UK Act does not follow the wording of the Directive closely - as is the case in most other instances. According to **Annand & Norman** this is due to a combination of drafting technique and the legislature intending to confer narrower infringement rights under the UK Act than is provided for in the Directive.⁷⁹

Finally, it needs to be recorded that the UK Act provides also for secondary infringement⁸⁰ and provides a specific defence against infringement in the case of unauthorised use of the registered mark to identify the source of the registered proprietor's goods or services, which could include such use in comparative advertising.⁸¹ In addition to the acts of infringement provided for in section 10, it must be borne in mind that section 56(2) confers a remedy on the proprietor of a well-known trade mark (which need not be registered)⁸² whilst section 60(4) confers a remedy on the proprietor regarding certain unauthorised acts of an agent or representative.⁸³

6.3 *Infringement under Benelux law*

Gielen records that as far as the criteria for

79. See **Annand & Norman** *Trade Marks Act 1994* 146.

80. See section 10(5).

81. See section 10(6); **Gyngell & Poulter** *Trade Marks* 124-125.

82. See section 56(2).

83. See section 60(4).

infringement are concerned the final text of the Directive was greatly influenced by Benelux trade mark law. He writes:

*It was in fact under the pressure of the Dutch delegation that the infringement criteria were widened. The Dutch delegation vigorously defended the important progress which was made in the field of trade mark law in the Benelux countries on the basis of the Benelux Trade Mark Act as interpreted by the Benelux Court of Justice. The result of the negotiations between the Member States was a clear recognition that in present times a trade mark not only functions as an indication of origin but can constitute a valuable asset in and of itself. In other words, it is a symbol having goodwill even apart from the goods or services for which protection is applied for.*⁸⁴

This clears the way for the positive-entitlements approach to the trade mark right under the Directive rather than the traditional negative approach of the common law which affords the trade mark proprietor powers to prevent rather than with entitlements to exercise.

Benelux trade mark law provides the key to the interpretation of the mandatory infringement provisions set out in Article 5(1)(b) of the Directive (as taken up in section 10(2)(b) of the UK Act) which relates to those acts of infringement requiring "a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark".⁸⁵

Under Article 3(a) of the Benelux Trade Marks Act, the following acts of infringement are contemplated.

In the first place, unauthorised use of the registered mark or a similar sign in relation to the same or

84. Gielen 266.

85. See p 610-611 and article 5(1)(b) of the Directive.

similar goods as those for which the registered mark is registered, infringes the registration.

In the second place, all other unauthorised use which is made of the registered trade mark or a similar sign infringes the registration provided such unauthorised use takes place in the course of trade without a valid reason in circumstances which result in prejudice to the trade mark owner - without reference to the goods or services in respect of which unauthorised use takes place and whether or not such use is in relation to certain goods or services.⁸⁶

In Benelux law the concept of similarity is crucial and the risk of confusion, therefore, does not play a role.⁸⁷

This gives rise to the "likelihood of association" test in regard to which **Gielen** affords the following example.

Under the confusion standard the trade mark **Toyota Tercel** would probably not be infringed by the use of the trade mark **Nissan Tercel** as the public would not be confused - particularly as to origin - regarding the products featuring the marks. In Benelux trade mark law, which does not have regard to the confusion standard, infringement would be established through the likelihood of association test because a distinctive element of the marks, **Tercel**, results in a resemblance between the marks which would lead to them being associated in the public mind.⁸⁸

The manner in which the relevant article and section of the Directive and the UK Act is drafted, however, relegates "likelihood of association" to a specific category of acts which are likely to bring about public confusion.

86. See **Gielen** 266.

87. **Gielen** 266.

88. See **Gielen** 266-267.

This does not, therefore, accord strictly with the Benelux approach:

*The likelihood of association-concept is a wide criterion for assessing trade mark infringement, much wider than the classical notion of likelihood of confusion. If a risk of confusion is established, the risk of association is given. It is, however, very strange that Article 5 of the Directive speaks of likelihood of confusion which 'includes' the likelihood of association. In other words: the wider criterion is mentioned as a genus of the species 'likelihood of confusion'. This seems to be contradictory. However, in the statements which were entered into the minutes of the meeting of the Council at which the Directive was adopted, it was said: 'the Council and the Commission note that "likelihood of association" is a concept which in particular has been developed by Benelux caselaw'. Notwithstanding the fact that Article 5 is worded in a strange way, it is clear that the intention of the Community legislature was to accept the wide criterion as applied under Benelux law. The interpretation of Article 5 should therefore be that 'likelihood of confusion' should be understood in its widest sense.*⁸⁹

It appears to me, however, that the wording of section 10(2) of the UK Act and particularly the words "which includes" will require the "likelihood of association" contemplated to bring about a likelihood of confusion before an infringement action will lie.

6.4 Acts of infringement: SA Act

There are six acts of infringement set out in the provisions of sections 34(1) (a) - (c), inclusive. The elements thereof are the following:

6.4.1 Under section 34(1)(a) (identical mark and product)

6.4.1.1 unauthorised use,

89. See Gielen 267.

- 6.4.1.2 in the course of trade,
- 6.4.1.3 of an identical mark to the registered mark,
- 6.4.1.4 upon the identical goods or services to those registered.⁹⁰

6.4.2 *Under section 34(1)(a) (resembling mark, identical product)*

- 6.4.2.1 unauthorised use,
- 6.4.2.2 in the course of trade,
- 6.4.2.3 in relation to identical goods or services to those registered
- 6.4.2.4 of a mark so nearly resembling the registered mark
- 6.4.2.5 as to be likely to deceive or cause confusion.⁹¹

6.4.3 *Under section 34(1)(b) (identical mark, similar product)*

- 6.4.3.1 unauthorised use,
- 6.4.3.2 in the course of trade,
- 6.4.3.3 of an identical mark to the registered mark,
- 6.4.3.4 in relation to goods or services which are so similar to those registered
- 6.4.3.5 that in such use a likelihood of deception or confusion exists.⁹²

6.4.4 *Under section 34(1)(b) (similar mark, similar product)*

- 6.4.4.1 unauthorised use,
- 6.4.4.2 in the course of trade,
- 6.4.4.3 of a similar mark to the registered mark,
- 6.4.4.4 in relation to goods or services which are so similar to those registered
- 6.4.4.5 that in such use a likelihood of deception or confusion exists.⁹³

6.4.5 *Under section 34(1)(c) (identical mark, dissimilar product)*

- 6.4.5.1 unauthorised use,

90. See section 34(1)(a) of the SA Act.

91. See section 34(1)(a).

92. See section 34(1)(b).

93. See section 34(1)(b).

- 6.4.5.2 in the course of trade,
- 6.4.5.3 of an identical mark
- 6.4.5.4 to a registered mark which is well-known in South Africa,
- 6.4.5.5 in relation to dissimilar goods or services to those registered,
- 6.4.5.6 where use of the identical mark would be likely to
- 6.4.5.7 take unfair advantage of,
- 6.4.5.8 or be detrimental to,
- 6.4.5.9 the distinctive character or the repute of the registered well-known trade mark,
- 6.4.5.10 notwithstanding the absence of confusion or deception.⁹⁴

6.4.6 *Under section 34(1)(c) (similar mark, dissimilar product)*

- 6.4.6.1 unauthorised use,
- 6.4.6.2 in the course of trade,
- 6.4.6.3 of a similar mark
- 6.4.6.4 to a registered mark which is well-known in South Africa,
- 6.4.6.5 in relation to dissimilar goods or services to those registered,
- 6.4.6.6 where use of the similar mark would be likely to
- 6.4.6.7 take unfair advantage of,
- 6.4.6.8 or be detrimental to,
- 6.4.6.9 the distinctive character or the repute of the registered well-known trade mark,
- 6.4.6.10 notwithstanding the absence of confusion or deception.⁹⁵

6.5 *Infringements: A comparison between the UK and SA Acts*

A comparison between the infringing provisions of the UK and SA Acts reveals that the acts of infringement are generally similar but feature significant differences in emphasis and detail.

Apparently identical at first glance, the first act of infringement differs in the two systems insofar as the

94. See section 34(1)(c).

95. See section 34(1)(c). This section does not apply to defensive registrations obtained

concept "sign" (used in the UK Act) is not necessarily the same as the term "mark" (used in the SA Act). "Mark" is defined in section 2(1)(x) of the SA Act and the meaning of the term is therefore limited thereto in regard to the infringing marks contemplated by section 34(1)(a) of the SA Act.

"Sign" is not defined in the UK Act and the term is not, therefore, subject to statutory limitation similar in kind to that placed upon the concept of "mark" under the SA Act.

The first act of infringement in the South African statute is therefore narrower than its United Kingdom counterpart under which the use of any kind of sign can apparently infringe.

In regard to the further acts of infringement under the UK Act, (excluding the dilution provisions in relation to marks which have a reputation which are dealt with hereunder), the use complained of must give rise to a likelihood of confusion on the part of the public. This confusion must arise out of two things, namely that the infringing signs concerned are identical or similar to the registered mark and by virtue of the use of the infringing signs in relation to identical or similar goods or services to the registered goods or services. As already discussed, the UK Act also introduces the concept of "a likelihood of association" derived from Benelux law, which is included under the umbrella of a "likelihood of confusion". The concept is not part of established South African trade mark law and is not introduced by the 1993 SA Act.

In the SA Act the requisite likelihood of deception or confusion relates to different aspects depending upon the particular act of infringement concerned. Thus, in the case of infringement by means of use of a similar mark in relation to the registered goods or services the deception or confusion must, according to the wording of

section 34(1)(a), arise as a consequence of the resemblance between the registered and the infringing mark.⁹⁶ In other words, the enquiry as to the likelihood of confusion or deception is limited to a comparison of the marks.

In the case of use of an identical or similar mark to the registered trade mark in relation to similar goods or services to those registered, as provided for in section 34(1)(b), the likelihood of deception or confusion must arise as a consequence of the use of the infringing mark in circumstances of similarity between the goods or services.⁹⁷ It is not perfectly clear from the wording of the section whether the legislature intended a three-tier or a two-tier test to be applied.

In other words, does the court establish as a first step that the marks are identical or similar and then, as a second step, investigate whether the goods or services concerned are similar? The third step would entail considering whether the use of the marks concerned in relation to the goods or services concerned would be likely to cause confusion or deception.

Alternatively, does the court consider the identity or similarity of the marks as the first step and then, as the second step, consider whether by virtue of the similarity between the goods or services concerned, deception or confusion is likely to exist in the use contemplated?

Job supports the second alternative. According to this author:

8.1 The second infringement category (which is one of the more controversial provisions of the new Act) is contained in section 34(1)(b). This section prohibits the use of a mark which is identical or

96. See section 34(1)(a).

97. See section 34(1)(b).

similar to a registered trade mark in relation to goods or services which are so similar to the goods or services respect of which the trade mark is registered that in such use there exists the likelihood of deception or confusion.

8.2 In other words, the infringement protection in terms of section 34(1)(b) is no longer limited to the precise goods or services covered by the trade-mark registration, which has historically been the case in all South African trade-mark statutes. This is consistent with the international move to broaden infringement protection to include 'similar' goods or services.⁹⁸

The question of the protection of marks with a repute and well-known marks under the new laws of both systems is dealt with fully below. The differences in the provisions relating to acts of infringement by dilution in the UK Act and the SA Act are dealt with fully there.⁹⁹

It has been stated in the context of section 34(1)(b) that the infringement provisions of the SA Act comply with South Africa's obligations in terms of TRIPS under GATT and that the enactment is generally in line with the Directive and the UK Act.¹⁰⁰

Nevertheless, a caveat needs to be entered in the latter regard. A comparison of the provisions of the enactments referred to in relation to key concepts such as the definition of a trade mark, the grounds for refusal of registration and the acts of infringement reveal discernible differences.

An approach which regards the South African Act as merely the local equivalent of the United Kingdom Act would, therefore, not be correct. Also, any

98. Job 24.

99. See p 649-651 *infra*.

100. Job 24 (and see Job 22).

predisposition to apply old and familiar concepts derived from earlier United Kingdom and South African enactments without a comprehensive review of their place in a new and modern system must be guarded against if the intention to modify is to be realised.

Job adds in regard to section 34(1)(b) infringements:

Interpreting the word "similar" and assessing whether particular goods or services are similar in practice will not always be easy. A considerable body of case law will no doubt develop around this term. We can comfort ourselves to some extent by the knowledge that we will be able to look to European (including British) case law in future for assistance. But it is submitted that the words have a plain meaning, and that a common-sense approach to assessing the question of similarity of goods and services, and a likelihood of deception or confusion, should be followed. It is emphasised that the test is whether the goods or services are so similar that in use there exists the likelihood of deception or confusion. So the court will have regard to conditions in the marketplace, and surrounding practical circumstances in trade.

Although the expressions are not coterminous, "similar goods" no doubt include "goods of the same description". In relation to the latter term a considerable body of case law has already developed, primarily in the United Kingdom.¹⁰¹

It must however be borne in mind that the concept of "similar goods" in modern European trade mark law is derived from Article 5 of the Directive in regard to which a considered analysis of European and particularly Benelux authority (as **Gielen** suggests)¹⁰² would be a more appropriate guide to establishing its intended meaning in the context of a modern system than an

101. Job 24-25. The legislature could surely not have intended to abdicate its function, expecting the Courts to flesh out and give meaning to the provisions of the enactment, whereas it is incumbent upon the legislature to indicate its intention by means of the words of the enactment itself. The legislature could surely not have been uncertain as to what it wished to enact regarding key aspects.

102. See **Gielen** 269.

approach which relies upon the "goods of the same description" doctrine which was abandoned in South African trade mark law some twenty five years ago.¹⁰³ This is surely so in circumstances where the British courts will be looking to the ECJ for a definitive interpretation of the provisions of the Directive and it is the stated intention of the authors of the SA Act to modernise along the lines of the European model.

6.6 *Non-infringing conduct*

Section 34(2) of the SA Act lists specific conduct which does not amount to the infringement of registered trade marks. The section provides:

34(2) A registered trade mark is not infringed by -

(a) any bona fide use by a person of his own name, the name of his place of business, the name of any of his predecessor's place of business;

(b) the use by any person of any bona fide description or indication of kind, quality, quantity, intended purpose, value, geographical origin or other characteristics of his goods or services, or the mode or time of production of the goods or the rendering of the services;

(c) the bona fide use of the trade mark in relation to goods or services where it is reasonable to indicate the intended purpose of such goods, including spare parts and accessories, and such services;

(d) the importation into or the distribution, sale or offering for sale in the Republic of goods to which the trade mark has been applied by or with the consent of the proprietor thereof;

(e) the bona fide use by any person of any utilitarian features embodied in a container, shape, configuration, colour or pattern which is registered as a trade mark;

103. See Webster and Page *Trade Marks* 3rd ed 116-117. See also Webster 14, where the author contemplates application of 'Pussy Galore' Trade Mark [1967] R.P.C. 265 to the new licencing provisions. The Act has itself specifically retained outmoded concepts such as 'connection in the course of trade' (albeit in an unfamiliar context as I have discussed) despite the modernising intent published in the Memoranda preceding the Act (see section 2(1)(xxiii) and p 580-583 *supra*).

(f) the use of a trade mark in any manner in respect of or in relation to goods to be sold or otherwise traded in, or services to be performed, in any place, or in relation to goods to be exported to any market, or in any other manner in relation to which, having regard to any conditions or limitations entered in the register, the registration does not extend;

(g) the use of any identical or confusingly or deceptively similar trade mark which is registered:

Provided that paragraph (a) shall not apply to the name of any juristic person whose name was registered after the date of registration of the trade mark:

Provided further that the use contemplated in paragraph (a), (b) or (c) is consistent with fair practice.

Section 34(2)(a), (b) and (c) is generally in line with the provisions of section 11(2)(a), (b) and (c) of the United Kingdom Act save that those parts of the section which I have underlined above represent South African additions beyond the terms of section 11(2) of the UK Act and Article 6(1) of the Directive. The most significant change is the introduction of the concept of *bona fide* and the replacement of the word "necessary" with "reasonable" in section 34(2)(c) of the SA Act. The UK proviso refers to "honest practices in industrial or commercial matters" whilst the South African enactment requires the conduct to be "consistent with fair practice".

The exhaustion provision of section 34(2)(d) of the SA Act is wider than the exhaustion provision of section 12 of the UK Act, which is confined to goods put on the market in the European Economic Area.¹⁰⁴

Both systems exempt use of a registered mark from infringement. In this regard the UK provision restricts protection to use of a validly registered mark only in

104. See section 12(1) of the UK Act.

relation to the goods or services in respect of which it is registered. The corresponding provision in the SA Act does not restrict the exemption to use of the registered mark only in relation to the goods or services in respect of which it is registered.¹⁰⁵ The South African provision, therefore, appears to be significantly wider insofar as it extends exemption to a registered mark when used also in relation to similar as well as dissimilar goods or services to those in respect of which it is registered. If the trade mark is registered the exemption applies.¹⁰⁶

The exclusion provided by section 34(2)(e) of the SA Act does not feature in the UK Act whilst the exclusion contained in section 34(2)(f) of the SA Act features as a restriction upon infringement in section 13(1) of the UK Act.

Section 11(3) of the UK Act provides that a registered trade mark is not infringed by the exercise in the course of trade in a particular locality of an earlier right which applies only in that locality and defines the "earlier right" contemplated by that section.¹⁰⁷ This provision does not feature in the SA Act.

Finally, it must be observed that there are differences between the UK and SA Acts also in the remedies afforded the proprietor of a registered trade mark in the event of infringement.¹⁰⁸

6.7 *Infringement and the subjective right to a trade mark in South Africa*

In this paragraph I consider the acts of infringement

105. See sections 11(1) and 47(6) of the UK Act.

106. See section 34(2)(g) of the SA Act.

107. See section 11(3) of the UK Act provides: "(3) A registered trade mark is not infringed by the use in the course of trade in a particular locality of an earlier right which applies only in that locality."

108. See section 34(3) of the SA Act and sections 14-19 of the UK Act.

provided for in sections 34(1)(a) and (b) in relation to the trade mark functions impinged upon in each instance. The application of trade mark functional theory to the infringements by dilution provided for in section 34(1)(c) is considered below.¹⁰⁹

6.7.1 *Section 34(1)(a) infringements*

Infringements of this kind, as I have indicated, concern unauthorised use in the course of trade of an identical mark to the registered mark in relation to identical goods or services to those registered.¹¹⁰ In this case of infringement the capability of the registered mark to distinguish the goods or services (as the case may be) of the registrant from the infringing goods or services is completely extinguished. At the same time, the capability of the trade mark to fulfil any of the other recognisable trade mark functions as a trade mark in relation to the goods or services concerned is eliminated.¹¹¹ The commixture of the registered and infringing marks and goods or services is complete.

6.7.2 *Section 34(1)(b) infringements*

Infringement under section 34(1)(b) of the SA Act involves, as I have pointed out, unauthorised use in the course of trade of an identical or similar mark to the registered mark in relation to goods or services which are so similar to those registered that in such use a likelihood of deception or confusion exists.¹¹²

The wording of the section requires the following to be established. The marks concerned must be identical or

109. See p 632-649 *infra*.

110. See p 616-617 *supra*.

111. I have suggested that these mainly include the identifying, origin, assurance, advertising, selling, goodwill, information-bearing and communication functions. See chapter 15.

112. See p 617 *supra*.

similar, the goods or services in relation to which the infringing mark is used must be similar to the registered goods or services and a likelihood of deception or confusion must result from use of the first in relation to the second. The essence of the infringement lies in the requirement that there must be a likelihood of deception or confusion in relation to use of the marks in connection with the goods or services concerned. The aim of the section is to extend the infringement action beyond the confines of the registered specification. Recognition of the multiple functions which trade marks perform implies that in the event of a likelihood of confusion or deception arising in relation to the impairment of any function in the circumstances provided for in the section will found the infringement.

7. *PROTECTION OF WELL-KNOWN MARKS*

The new laws give effect to the obligations placed upon convention countries to protect well-known trade marks under Article 6 bis of the Paris Convention.

7.1 *The UK Act*

Section 56 of the UK Act confers rights and remedies on proprietors of well-known marks with reference to the Paris Convention. Section 56 provides:

(1) References in this Act to a trade mark which is entitled to protection under the Paris Convention as a well known trade mark are to a mark which is well-known in the United Kingdom as being the mark of a person who -

(a) is a national of a convention country, or

(b) is domiciled in, or has a real and effective industrial or commercial establishment in, a Convention country,

whether or not that person carries on business, or has any goodwill, in the United Kingdom.

References to the proprietor of such a mark shall be construed accordingly.

(2) *The proprietor of a trade mark which is entitled to protection under the Paris Convention as a well known trade mark is entitled to restrain by injunction the use in the United Kingdom of a trade mark which, or the essential part of which, is identical or similar to his mark, in relation to identical or similar goods or services, where the use is likely to cause confusion.*

This right is subject to section 48 (effect of acquiescence by proprietor of earlier trade mark).

(3) *Nothing in subsection (2) affects the continuation of any bona fide use of a trade mark begun before the commencement of this section.*

At the time of writing it is not clear which marks will qualify as well-known. According to **Gyngell & Poulter**:

*The question of whether a trade mark is well-known is very much at large. Ultimately, the court will have the pleasure of determining the meaning of "well-known" in the context of a trade mark as well as the nature and extent of the evidence that will be required to establish that a mark is well-known.*¹¹³

According to **Morcom**, the well-known marks contemplated by section 56 must be significantly better known than trade marks with a reputation in the United Kingdom referred to in sections 5(3) and 10(3).¹¹⁴

It is important to note that whereas sections 5 and 10 refer to signs section 56 refers to use of an identical or similar trade mark. The inference is, therefore, that for the purposes of section 56 the conduct eschewed is use of a trade mark, as that term is defined in the Act.¹¹⁵

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113. Gyngell & Poulter *Trade Marks* 12. But see Annand & Norman *Trade Marks Act 1994* 31.
114. Morcom *Trade Marks Act 1994* 62. But contrast Annand & Norman *Trade Marks Act 1994* 97.
115. See Gyngell & Poulter *Trade Marks* 150. The same inference arises under section 35(3) of the SA Act considered at p 629-632.

The defences against infringement provided for in section 11 concern registered marks and are not available against injunctive relief sought under section 56 of the Act.¹¹⁶

Morcom is of the view that the injunctive relief referred to in section 56 would include supportive remedies such as delivery up of goods featuring the well-known mark for obstruction or obliteration of the mark where this would enhance the efficacy of the injunctive relief.¹¹⁷ Section 48 of the UK Act provides the defence of acquiescence against injunctive relief under section 56(2). A further defence is afforded by section 56(3) in the case of the continuation of *bona fide* use of the offending trade mark concerned prior to 31 October 1994 - the date of commencement of the 1994 UK Act.¹¹⁸

Aside from the protection afforded well-known marks by section 56, relief is afforded also under section 5 which provides a relative ground for refusing registration of a trade mark contrary to rights in a trade mark which is an 'earlier trade mark', as defined in section 6. In terms of section 6(1)(a), a mark which is entitled to protection under the Paris Convention as a well-known trade mark is a species of 'earlier trade mark' which is protected by section 5.¹¹⁹

7.2 SA Act

The provisions of section 35 of the SA Act are much the same as the provisions of section 56 of the UK Act. However, whereas the UK Act restrains use of an identical

116. See Gyngell & Poulter *Trade Marks* 150. The same applies in regard to the section 34(2) defences of the SA Act.

117. *Morcom Trade Marks Act 1994* 62.

118. See sections 48 and 56(2). As to the applicability of sections 5, 6 and 60, see Gyngell & Poulter *Trade Marks* 14-15.

119. See sections 5(1)(2)(3) and section 6(1)(c) of the UK Act.

or similar mark to the well-known mark,¹²⁰ the SA Act follows the wording of Article 6 bis of the Paris Convention and restrains use of a trade mark which constitutes or the essential part of which constitutes a reproduction, imitation or translation of the well-known trade mark.

Section 35(3) of the SA Act provides:

*The proprietor of a trade mark which is entitled to protection under the Paris Convention as a well-known trade mark is entitled to restrain the use in the Republic of a trade mark which constitutes, or the essential part of which constitutes, a reproduction, imitation or translation of the well-known trade mark in relation to goods or services which are identical or similar to the goods or services in respect of which the trade mark is well known and where the use is likely to cause deception or confusion.*¹²¹

The savings provision (section 36(2)) in the SA Act is considerably more detailed than section 56(3) of the UK Act¹²², providing:

36(2) Nothing in this Act shall allow the proprietor of a trade mark entitled to protection of such trade mark under the Paris Convention as a well-known trade mark, to interfere with or restrain the use by any person of a trade mark which constitutes, or the essential parts of which constitute, a reproduction, imitation or translation of the well-known trade mark in relation to goods or services in respect of which that person or a predecessor in title of his has made continuous and bona fide use of the trade mark from a date anterior to 31 August 1991 or the date on which the trade mark of the proprietor has become entitled, in the Republic, to protection under the Paris Convention,

120. See section 56(2) of the UK Act.

121. For the first judicial analysis of the section and the evidentiary requirements thereof see McDonald's Corporation v Joburgers Restaurant (Pty) Ltd and anr; Dax Prop CC v McDonald's Corporation and anr; McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd v Dax Prop CC, TPD 5 October 1995 (to be reported) 17-39.

122. Section 56(3) of the UK Act provides: "(3) Nothing in subsection (2) affects the continuation of any bona fide use of a trade mark begun before the commencement of this section."

whichever is the later, or to object (on such use being proved) to the trade mark of that person being registered in relation to those goods or services under section 14.

Thus, prior continuous and *bona fide* use to the date upon which the Draft Trade Marks Bill, 1991, was published or prior to the well-known mark becoming entitled to protection under the Paris Convention, affords the prior user a better right to that of the proprietor of the well-known mark, which right entitles him to registration and protects him from interference.

Subject to section 36(2), section 10(6) of the SA Act provides correlative relief to the provisions of section 35(3) in respect of well-known marks under the Paris Convention. It establishes an apparently absolute ground for refusing registration in the same circumstances in which relief is afforded by section 35(3).¹²³

It is noteworthy that under the UK Act the corresponding ground for refusal is relative and not absolute as in the SA Act. It must, however, be borne in mind that unlike the provisions relating to refusal in the UK Act, the distinction between absolute and relative grounds is not specifically maintained in section 10 of the SA Act in which all the grounds for refusing registration are set out.

To be noted is the distinction between section 10(17) of the SA Act which provides a relative ground for refusing registration to a trade mark which will dilute a trade mark which is well-known in the Republic and the corresponding section of the UK Act (section 5(3)) which provides protection in similar circumstances but to marks which have a reputation in the United Kingdom.¹²⁴

Thus, in sum, both the UK and the SA Acts afford well-known unregistered marks of the kind envisaged by

123. Section 10(6) set out at p 597 *supra*.

124. See p 627-629 *supra*.

Article 6 bis of the Paris Convention protection by restraining use of an identical or similar mark thereto or to an essential part thereof, in the limited circumstances set out in the enactments.

In similar circumstances, which are defined in the statutes, unregistered well-known marks present a bar to the registration of marks which are identical or similar thereto, or to an essential part thereof.

7.3 *Dilution of established marks*

Under section 34(1) of the SA Act -

34. (1) The rights acquired by registration of a trade mark shall be infringed by -

(a) ...

(b) ...

(c) the unauthorized use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trade mark registered, if such trade mark is well known in the Republic and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of confusion or deception: Provided that the provisions of this paragraph shall not apply to a trade mark referred to in section 70(2).¹²⁵

The UK Act affords protection in the same circumstances to trade marks which have 'a reputation' in the United Kingdom where the use complained of is without due cause.¹²⁶

7.3.1 *Dilution under the SA Act*

125. Section 70(2) refers to marks which were registered as defensive registrations under section 53 of the 1963 Act.

126. See section 10(3) of the UK Act and p 649-651 *infra*.

7.3.1.1 Well known marks

It was established law under the 1963 Act that the appropriation of a well-known or other foreign trade mark was lawful in circumstances where the foreign proprietor of the trade mark could not establish an assertable right to the trade mark in the Republic.¹²⁷

The cases referred to are correct in my view in that a valid right must be constituted before its infringement can be established. It seems that too often too little was done by foreign proprietors to establish an assertable right to their marks in the series of cases culminating in **Tie Rack** and **Victoria's Secret**. In these cases the emphasis was often misplaced upon the alleged moral reprehensibility¹²⁸ of the appropriation whilst the need to establish a properly defined and assertable right was neglected in the evidence.

*In the case of a foreign trade mark, there is no legal bar to its adoption in South Africa unless it is attended by something more.*¹²⁹

This something more is, in my view, the establishment of a vested right to the trade mark in the territory of South Africa.

In **Victoria's Secret** it was found that there was no evidence that the mark was well-known in South Africa or that the mark had a reputation in this country.¹³⁰ Clearly, therefore, the Appellant failed to establish an assertable right.

The foregoing posits the question: what is the nature

127. See *Tie Rack plc v Tie Rack Stores (Pty) Ltd* and anr 1989 (4) SA 427 T; *Victoria's Secret Inc v Edgars Stores Limited* 1994(3) SA 739(A). These cases are discussed in chapter 11 paragraph 10 at p 279 *supra*.

128. See for example *Greaterman's Stores (Rhodesia) Ltd v Marks and Spencer (SR) (Pvt.) Ltd* 1963 (2) SA 58 (FC) and *Victoria's Secret* at p 746-747 of the report.

129. Per Nicholas AJA in *Victoria's Secret* at p 747 of the report.

130. See p 755 of the report.

of the right which must be shown? I have suggested that a proper analysis of the nature of the right to a trade mark reveals a subjective right with entitlements which correspond to the multiple functions which trade marks fulfil. The application of this construct to the claims of *peregrini* has already been discussed.¹³¹

A registered trade mark which in fact displays a range of functions which can be impinged upon by dilutive action will, according to this view, be infringed by such impingement. It is to be expected that a trade mark which has attained the status of "well known in the Republic" will display such a range of functioning and, particularly, reveal the presence of the advertising function. I shall discuss this crucial aspect in full hereunder.

7.3.1.2 Dilution of well known marks

According to **Ginsberg**:

*The development of the common-law protection for dilution is closely associated with what has been referred to as the misappropriation of the advertising value of trade marks. This approach is founded on the proposition that the true function of a trade mark is to stimulate sales. But these concepts still remain in the realm of unexplored common-law territories.*¹³²

The concept of an advertising value in the advertising image of marks and the like was proposed by **Mostert**.¹³³

According to **Mostert**:

Under the advertising image is understood every name, mark, symbol or character that is identified with a particular product, business or

131. See p 295-299 *supra*.

132. Ginsberg - Trade Mark Dilution - in Visser *New Law: Trade Marks and Designs* 35-47.

133. Inter alia in his doctoral theses referred to at p 549-550, namely *FW Mostert-Grondslae van Die Reg Op Die Reklamebeeld* (RAU 1985).

person, and that harbours potential advertising value and possible goodwill for products or business of other entities in various other unrelated fields of commerce. A commercial value of the advertising image could therefore be exploited by the former entity with which it is connected.¹³⁴

Mostert goes on to suggest:

*From these foregoing observations it can be deduced that the right to the advertising image does not constitute a near manifestation or sub-particle of an already crystallised and recognised right. The right to the advertising image is therefore nothing other than a distinctive and autonomous intellectual property right. It is the particular object or interest protected by this right, the advertising image, that gives it its particular characteristics and distinguishes it from other intellectual property rights.*¹³⁵

From the point of view of trade marks **Mostert** observes:

*Although trade marks of fictional characters such as Asterix, Pinocchio and Superman, the likenesses of personalities such as Mohammed Ali, Telly Savalas and Vera Johns and signatures such as that of Gary Player have been registered, it appears that only a small area of protection is afforded to advertising images by way of trade-mark law. ... Trade-mark law, therefore, simply offers a small shield of protection to certain marks being used as advertising images.*¹³⁶

In my view, therefore, common law protection against trade mark dilution must not be sought in an independent advertising image appurtenant to trade marks as conceived by **Mostert** but rather in a construct derived from the nature of the right to a trade mark itself, which affords protection to those functions of a trade

134. Mostert (1982) 99 SALJ 413-420 424.

135. Mostert 429.

136. Mostert 428.

mark which are impinged by dilutive conduct. In proposing this I do not deny the existence of advertising and other signs which are not trade marks. Rather, my investigations have been confined to trade marks which, by definition, must inevitably display the distinguishing function.

The distinguishing function is that feature of a sign which affords it the status of a trade mark. The distinguishing function in this senses is the invariable trade mark function.¹³⁷

It does not necessarily follow, however, that only the distinguishing function of trade marks is to be protected or that the distinguishing function is impinged or must necessarily be impinged in all instances for a dilution to take place. An investigation of the new dilution provisions of the Act brings this issue crisply to the fore and the matter is fully considered hereunder.

7.3.2 *Requirements for dilution under the SA Act*

The requirements for infringement of well-known marks by dilution under section 34(1)(c) of the Act are:

- 7.3.2.1 unauthorised use,
- 7.3.2.2 in the course of trade,
- 7.3.2.3 of an identical or similar trade mark,
- 7.3.2.4 to a registered mark which is well known in the Republic,
- 7.3.2.5 where use of the mark complained of would be likely to
- 7.3.2.6 take unfair advantage of,
- 7.3.2.7 or be detrimental to,

137. See p 460 *supra*.

- 7.3.2.8 the distinctive character or
- 7.3.2.9 the repute of the registered trade mark,
- 7.3.2.10 notwithstanding the absence of confusion or deception.¹³⁸

In considering the dilution provisions of section 34(1)(c), an analysis of the type of conduct which constitutes dilution and the trade mark functions upon which such conduct impinges is instructive.

The aim of dilutive conduct is to exploit the commercial magnetism, selling power and advertising value embodied in the well-known trade mark. In most instances neither a diversion of custom nor unlawful competition is intended thereby.¹³⁹ Rather, the owner of the well-known mark loses control over the reputation and goodwill symbolised by the mark.¹⁴⁰

According to **Mostert & Mostert**, dilutive conduct can take two forms. The first relates to confusion of sponsorship and the second to dilution in the strict sense. In the first instance the true trade mark owner is mistaken as the source of the goods or services of the unauthorised user or it is believed that he has a business connection with or sponsors the product concerned. In the second instance, in the case of dilution *strictu sensu*, the conduct of the infringer causes the trade mark to lose its ability to attract the public towards the goods in respect of which its reputation was established.¹⁴¹ According to the authors, dilution of this kind usually takes place by blurring or by tarnishing.

They describe blurring thus:

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- 138. See section 34(1)(c) of the SA Act.
 - 139. See the instructive article of Mostert & Mostert (1995) DR, July 1995 443-449 443.
 - 140. Mostert & Mostert 444.
 - 141. Mostert & Mostert 443.

*In effect, an erosion or watering down of the singularity and exclusivity of the trade mark to call to mind a specific product is at issue. It is obvious that the more a trade mark is used on a variety of goods and the closer it becomes associated with such goods, the less that trade mark will call to mind and focus the public's attention on the plaintiff's particular product.*¹⁴²

Tarnishment, on the other hand, contemplates use of a trade mark in an offensive or unsavoury context which tarnishes the power of the trade mark to call to mind associations of satisfaction and desirability previously linked with the particular product in respect of which the well-known mark has established its reputation.¹⁴³

Dilution can also come about as a consequence of the generic usage of a well-known trade mark to denote a class of products, which erodes the association of the trade mark with the goods or services of its proprietor.¹⁴⁴

It has been suggested that comparative advertising is also a species of dilutive conduct which injures the selling power of a trade mark by diverting its desirable images to the products of a competitor. This burdens the images previously gained by the mark which are then no longer associated exclusively with the mark. At the same time there is a detraction from the desirable images previously constituted around the mark.¹⁴⁵

7.4 *Dilution and disruption of function*

In order to constitute a proper basis for the views expressed hereunder and to clarify them, I shall first briefly set out the construct of the subjective right to

142. Mostert & Mostert 445.

143. See Mostert & Mostert 445.

144. See Ginsberg 39.

145. See Ginsberg 40. I suggest at p 647 *infra* that comparative advertising is neither dilutive nor unlawful at common law *per se*.

a trade mark at which I arrived in the preceding chapter and which I shall apply in the paragraphs which follow.

In order to afford my views proper perspective I shall then deal briefly with the views of **Rutherford** and **Van Heerden & Neethling** insofar as they are different to those I have set out.

Trade marks are distinguishing signs of various kinds applied in commerce.

The essential element of distinctiveness distinguishes trade marks from all other commercial signs. By distinctiveness I mean the capability of a trade mark to distinguish between undertakings and the product (goods or services) of undertakings i.e. the ability of the trade mark to perform the distinguishing function.

Trade marks perform multiple functions taken up in a functional matrix. One such function - the distinguishing function already referred to above - is invariable.

I attribute to it the strict meaning specified above, which is to distinguish between undertakings and product of undertakings untrammelled by secondary connections to other functions (co-existence or commixture with other functions in the functional matrix aside).

I regard the distinguishing function invariable because if a mark cannot perform it the mark is not a trade mark - whatever other functions it might perform. Therefore, the distinguishing function is the essential element of the functional matrix of a sign if it is to be a trade mark.

I postulate an independent right to a trade mark which is in the nature of a subjective right having the trade mark as its object. Aside from the entitlements to

transfer and licence use of the trade mark it is characteristic of the right that the entitlements of use of the holder comprise the functions which the holder is positively entitled to have the trade mark perform.

An interference with any function present in the functional matrix of the trade mark infringes the right to the trade mark.

Trade marks display a number of values derived from the functions present in the functional matrix of a particular trade mark.

Thus, the value of distinction of a trade mark derives from the essential distinguishing function, advertising value derives from the advertising function, goodwill derives *inter alia* from the assurance and origin functions and associative (or imago) value derives from the communication function present in the functional matrix of a particular trade mark.

Trade marks are, therefore, real property of a very different kind to other intellectual property.

Although it encapsulates multiple functions, the functional matrix can be regarded as a composite and the trade mark as a unitary whole. Therefore, an infringing impairment of any function present in the matrix infringes the independent and unitary right to the trade mark and not, in my view, one or other separate right accessory to the trade mark (such as an independent right to advertising value or to distinguishing value), which depends upon the nature of the infringement. In other words, the trade mark right is unitary and not a bundle of independent rights to its values.

However, in the view of **Rutherford**:

The distinguishing function is wide enough to embrace not only the traditional origin function but also the other socio-economic functions

*that a trade mark may fulfil from time to time such as its quality and advertising functions.*¹⁴⁶

This view brings about the satisfactory result that any impairment of function is an impairment of the distinguishing function. As the modern trade mark is defined in terms of the distinguishing function, an impairment of this function infringes the trade mark. Hence, in all the examples of dilutive conduct discussed below, an impairment of the distinguishing function takes place in **Rutherford's** view.

My view differs in that I regard the encapsulating means to be the functional matrix rather than an all embracing distinguishing function. An impairment of any function present in the matrix, in my view, infringes the whole. In my construct the distinguishing function need not be impinged in each instance of infringement. The significance of the distinguishing function lies in its presence being the determinant of which signs qualify as trade marks. It is the glue which binds the functional matrix.

Van Heerden & Neethling discuss two *species* of commercial signs, namely, distinctive marks and advertising marks.

Distinctive marks are of two kinds. Marks of the first kind are used to individualize an undertaking as a whole (trade names). Marks of the second kind individualize the products (goods or services) of an undertaking (such as trade marks, service marks, and get-up).¹⁴⁷

Advertising marks have advertising value which is subject to an independent right as **Mostert** has suggested.¹⁴⁸ This right is infringed in cases of leaning on and dilution (such as in the instances of dilutive conduct discussed below).¹⁴⁹

146. Rutherford 2-3. See also p 540-544 *supra*.

147. Van Heerden & Neethling *Unlawful Competition* 106. See also p 529-537 *supra* where the views of the authors regarding the relationship between distinctive marks and goodwill are discussed.

148. See p 544-550, 634-635 *supra* regarding the views of Mostert.

Distinctive marks have distinguishing value which is the interest infringed in the case of passing off.¹⁵⁰

My view differs herein that in the case of a trade mark as I have defined it in terms of the characteristic presence of the distinguishing function, the values mentioned by the authors are derived from functions present in the functional matrix of the trade mark. These values are protectable under an independent right to the trade mark as a composite rather than in terms of separate independent rights attaching to each value.

The import of my approach in relation to dilution is set out in the discussion which follows.

7.4.1 *Confusion as to sponsorship*

Relating the manifestations of dilutive conduct discussed above to a correlative disruption of trade mark functioning reveals, in my view, an immediate primary impingement of the origin function of a well-known trade mark in cases of confusion of sponsorship. A primary or secondary impingement of the assurance function can also come about depending upon the facts particular to the instance.

The public is confused regarding whether the infringing products are connected with the anonymous source which underwrites the famous mark and an impairment of the distinctiveness of the mark results.

In relation to the wording of the Act, the impairment of functioning which results in such cases is detrimental to the distinctive character of the trade mark whilst any accompanying impairment of the assurance function is detrimental to the repute of the mark.

150. Van Heerden & Neethling *Unlawful Competition* 201.

Although the statute does not require it, public confusion or deception is likely to result from dilutive conduct which brings about a confusion of sponsorship.

7.4.2 *Blurring*

In the case of dilution by blurring an erosion of the distinctive base of the trade mark takes place. The uniqueness of the mark is whittled away. It becomes less of an attractive force which poses a very real threat to the selling and advertising functions of the trade mark and indicates their impingement.

It is also so that blurring will, with the passage of time, render the registered mark less able to distinguish the goods or services for which it became well known. Ultimately, therefore, blurring leads also to an impingement of the distinguishing function.

Blurring is also likely to result in impingement of the communication function of the trade mark in that the network of association built up around the trade mark will lose the unity and coherence of the message which it usually transmits as the blurring continues or increases.

7.4.3 *Generic usage*

In the case of generic usage of a trade mark, such as occurred with **Cellophane** and **Asperin**, the total destruction of the marks' distinctiveness its distinguishing function and, therefore, the trade mark itself, results.

7.4.4 *Tarnishment*

In the case of tarnishment, there is no primary impingement upon the distinguishing or origin functions in the strict sense. The trade mark still indicates source and distinguishes the famous product from other

makes. The advertising function is, however, disrupted as is the communication function, because the image of the mark becomes soiled by negative associations. The mark loses its attractive force and no longer communicates the desired message to consumers. It is, however, to be noted that certain trade marks are so powerful *de facto* that they are resistant to tarnishment.¹⁵¹

It is of great significance that in many instances of tarnishment there is no infringement or disruption of the distinguishing function of the well known trade mark because it is still able to distinguish the product in respect of which its prominence and distinctiveness have been established from competing product as before.

I must, therefore, suggest that the significance of the distinguishing function is not that it must necessarily be impinged in every case of trade mark infringement. Rather, it is an inevitable manifestation of that property which cloaks a particular mark with the mantle of a trade mark, the property of distinctiveness. It follows that if a mark is distinctive the distinguishing function must inevitably be present. Such other functions as might be present in the functional matrix of a particular trade mark besides the distinguishing function are not incorporated in the distinguishing function as such or necessarily derived therefrom from a functional point of view.

They cannot, however, be present in the functional matrix of a trade mark unless the distinguishing function is present for if it is not the trade mark does not exist. Hence, the presence or absence of the distinguishing function plays a role also in the vesting of trade mark rights.¹⁵²

151. See Ginsberg 42 for an apt example from US case law.

152. See p 565-566 *supra*.

Where a sign functions as an advertising or communicating sign without having the property of distinctiveness which renders it able to fulfil a distinguishing function the sign is of another kind and is not a trade mark.

Where, however, the sign is a trade mark because it is distinctive in a trade mark sense, no purpose is served in my view by labelling it an advertising sign when its advertising function is apparent or a communicating sign when its communication (information bearing and transmitting) function is apparent, and so forth. The approach which modernisation requires would be to recognise the distinguishing function as the invariable trade mark function which derives from the property of distinctiveness. This function is taken up in the functional trade mark matrix with other variable functions which do not necessarily derive from or depend upon the distinguishing function for their operation. This implies that the various functions present can be independently infringed without all or any of the other functions - including the distinguishing function - necessarily being infringed at the same time.

This does not deny the existence of other commercial signs which are not trade marks such as those which can be regarded as advertising signs in the strict sense i.e. signs which fulfil an advertising function but which are not trade marks because they cannot fulfil a distinguishing function (being non-distinctive).

It is to be noted that no absolute rules can be laid down which determine all of the particular trade mark functions which must necessarily be impinged every time a particular species of dilution or infringing conduct is present. Although the disruption of certain functions as primary can be expected in specific cases the question will always be one of fact and will turn on a variety of considerations including the mark concerned and the nature and range of the goods or services in respect of which it has established well-known status.

Certain well-known marks are closely associated with specific goods or services whilst others are not. It is well-known marks of the first kind which require it to be recognised that an impingement upon the distinguishing function in the strict sense in which I have defined it is not immediately discernible in certain cases of infringement by dilution.

It must, however, be borne in mind that continued dilution of a trade mark to a significant degree will over time lead to its destruction through a loss of distinctiveness. Dilutive conduct is, therefore, ultimately directed at debasing the distinctive character of the mark which will at some time involve infringement of the distinguishing function. What I have postulated above, therefore, must be regarded in this context. My submission is that relief must not necessarily wait until the distinguishing function is engaged and infringement, therefore, can result from the impingement of any function present *de facto*.

7.4.5 *Comparative advertising*

Acts of comparative advertising can infringe both sections 34(1)(a) and 34(1)(c) of the Act.

In the case of section 34(1)(a) all acts of comparative advertising featuring the registered or a similar mark will infringe the section if the enquiry regarding the likelihood of confusion or deception contemplated therein is confined to a consideration of confusing similarity between the marks concerned i.e. where the mark complained of is a similar and not identical mark. Use of an identical mark in relation to the registered goods or services will, under this construction, infringe *per se*.

As far as comparative advertising and dilution is concerned it is my view that section 34(1)(c) is correctly drafted in that no dilution takes place unless the conduct complained of takes unfair advantage of or

is detrimental to the registered mark (for example by comparing goods, identified by their trade marks in different performance classes such as the top of the range vehicle of A with the bottom of the range vehicle of B).¹⁵³

In my view, comparative advertising is not unlawful *per se* at common law and there is no presumption that it is unlawful.¹⁵⁴

This approach is reflected in section 10(6) of the 1994 UK Act which provides that any use of a registered trade mark which may otherwise constitute infringement under section 10 does not infringe a registration where such use is for the purpose of identifying the goods or services as those of the proprietor or a licensee and accords with honest practices in industrial or commercial matters.¹⁵⁵

It seems to me that in the case of unlawful comparative advertising such as the making of disparaging or false comparisons there is a primary impingement of the advertising function as the product is placed in an adverse light which dilutes its attractive force. There is also a primary disruption of the positive associative network built up around and communicated by means of the mark which indicates an infringement of the communication function.

The assurance function of the well-known mark can also be impinged when doubt is placed upon the quality of the goods. The origin and distinguishing functions on the

153. In other words damage or harm must clearly result or be immanent.

154. But see Dean - Comparative Advertising, as Unlawful Competition - in Neethling 'Unlawful Competition' 114-124 and Woker (1995) 2 SA Merc L J 239-248, for a contrary view.

155. See section 34(2) of the SA Act and section 10(6) of the UK Act. 'The types of use likely to fall within this section would include the use of registered mark in comparative advertising and use in relation to spare parts.': per Gyngell & Poulter *Trade Marks* 124.

other hand are, however, more likely to be affirmed by the infringer, enabling the taint to adhere.

The South African legislature has, therefore, not followed the example of the legislatures of those states in the U.S.A. which have a general dilution provision which protect all trade marks from dilution.¹⁵⁶ Rather, the European example has been followed and the 1993 SA Act, therefore, provides limited protection against dilution to well-known registered trade marks, only.¹⁵⁷

In my view unlawful dilutive conduct which impairs one or more of the functions present in the functional matrix of a trade mark at any given time should be actionable. Thus, although the construction of the subjective right to a trade mark which I have suggested provides a theoretical basis for the protection of a trade mark against dilution in the circumstances set out in section 34(1)(c) of the 1993 SA Act, which recognises and protects the advertising function, my construction implies that trade marks can be afforded wider protection against dilution than that provided for in the specific circumstances stated in the section.

It provides a basis for all trade marks, whether well-known or otherwise, to be afforded protection against dilution where this results in a discernible *de facto* impingement of the functioning of the mark which results in damage or, for relief by interdict, the reasonable prospect of apprehended harm. Clearly, however, a trade mark which has never been used or which has not been used to the extent where it has established a presence or a repute, cannot be diluted. In marks of this kind the advertising function is not developed to a degree where dilution can take place.

156. See p 444-451 *supra* regarding dilution in the U.S.A..

157. See Salmon (1987) 104 SALJ 647-668.

The dilution provisions of the 1994 UK Act recognise this by affording protection against dilution to marks with a reputation in the United Kingdom.¹⁵⁸ The concept of a trade mark which "has a reputation in the United Kingdom" is wider than the concept of a trade mark which is well-known in that jurisdiction, according to **Morcom**,¹⁵⁹ and the statutory protection afforded trade marks on the basis of dilution is, therefore, wider in the United Kingdom than it is under the 1993 SA Act.

7.5 *Dilution under the UK Act*

I have pointed out that, in terms of section 10(3) of the UK Act, unauthorised use in the course of trade of an identical or similar sign to a registered mark which has a reputation in the United Kingdom in relation to dissimilar goods or services to those registered is an infringement of the registered mark, where use of the sign is without due cause and takes unfair advantage of, or is detrimental to the distinctive character or repute of the registered trade mark.¹⁶⁰

Apart from the difference that the SA Act provides protection to well-known marks whereas in the United Kingdom, marks with a reputation are protected by the dilution provisions, the UK Act provides dilution protection against use of an identical or similar sign to the registered mark whereas the SA Act protects against use of an identical or similar trade mark. Thus, as "trade mark" is defined in the SA Act the infringing use must be use as a trade mark as defined under the SA Act. This protection is narrower than the infringing sign provision of the UK Act which does not define "sign" at all and which, therefore, means any sign.

158. See section 10(3) of the UK Act.

159. See *Morcom Trade Marks Act 1994* 62 and p 628-629 *supra*.

160. See p 611-612 *supra*.

Further differences between the enactments are to be found in the UK Act which requires the infringing use to be "without due cause", a requirement not taken up in the SA Act. The SA Act, on the other hand, specifically indicates that confusion or deception is not a requirement for protection under section 34(1)(c) which the UK Act merely implies.

The UK Act follows the provisions of the Directive in relation to the requirement that the infringement must be "without due cause". It appears that the latter wording was introduced by the drafters of the Directive as one of the three limitations (together with the requirements regarding taking unfair advantage of or detriment to the distinctive character or repute of the trade mark infringed) which were introduced to ameliorate the argument that an extension of trade mark protection to dissimilar goods would effect too great an extension to the protection which should be afforded to trade marks.¹⁶¹

The extent to which the concept of a trade mark which has a reputation is likely to bring about more extensive protection against dilution in the United Kingdom and in Europe than is the category of marks which are "well-known" marks in South Africa appears from the view of **Gielen** stated thus:

*In the author's opinion reputation is not a very important criterion. The owner of the trade mark only has to show that the trade mark is genuinely used in a normal commercial way and that on the basis of such use the trade mark has become known within interested circles. Reputation need certainly not be established among the public at large - the relevant concerned sector would be sufficient- perhaps some 30 to 40 per cent.*¹⁶²

161. See Gielen 267.

162. See Gielen 267. In my view the requirement that the registered mark must have a reputation 'in the United Kingdom' indicates a greater degree of repute than that postulated by Gielen in relation to the Directive. Nevertheless, it does illustrate that the concept is likely to be wider than 'well-known' - depending upon the construction placed upon the concept of repute by the European and British courts.

Finally, it is to be noted that under the Benelux dilution provisions which require the trade mark owner to suffer prejudice, and which **Gielen** correlates with "taking unfair advantage of or being detrimental to the distinctive character or the repute of the trade mark", the Benelux courts have recognised both positive and negative aspects of prejudice. Prejudice seen negatively means that it is not necessary that the distinctive power of the mark is affected or that there is a risk of confusion in order to establish prejudice to the trade mark owner. In other words, a trade mark can be infringed through its dilution without significant if any impingement upon its distinguishing function. Thus, use of the trade mark **Klarein** for a liquid cleaning agent was held to infringe the trade mark **Claeryn** for a Dutch Gin because the negative association resulting from use of the infringing mark adversely affected the attractive power of the infringed mark.¹⁶³ Purchasers of gin could still distinguish **Claeryn** gin from other gins but would be put off the brand by the associated image of drinking cleaner, introduced by the mark **Klarein**.

In my view, this is the sort of result which will be brought about by the specific provision in the South African Act that the dilutive conduct contemplated by section 34(1)(c) infringes notwithstanding the absence of confusion or deception. In other words, an infringement by dilution takes place notwithstanding the absence of an intrusion upon either the invariable trade mark function of distinguishing goods or services or the paramount trade mark function of old, the origin function.

8. ASSIGNMENT

163. See *Gielen* 267.

8.1 UK Act

The Directive contains no provisions relating to the assignment of registered trade marks. Such matters are governed by the domestic property law of Member States pursuant to Article 222 of the EC treaty. This Article provides that the Treaty is not to prejudice the rules relating to the system of property ownership of Member States.¹⁶⁴

As contemplated by the White Paper, the assignment provisions of the 1994 UK Act are less restrictive than under earlier statutes.¹⁶⁵

According to **Gyngell & Poulter**:

*The statutory provisions relating to the assignment and licensing of registered trade marks have become steadily less restrictive. This can be seen by comparing section 22 of the 1938 Act with section 22 of the 1905 Act and section 70 of the 1883 Act. Consistent with this more liberal attitude, the 1994 Act further simplifies the conditions and restrictions attaching to such dealings.*¹⁶⁶

The deregulation under the 1994 Act is aimed at disposing of the artificial rules contained in the repealed statute which were directed at protecting the public from confusion.¹⁶⁷

According to the authors, the 1994 Act makes four notable improvements, namely:

- 8.1.1 Under section 24(2) it is possible to assign a registered trade mark partially in connection with a particular manner of use or in relation to a particular locality without the approval of the Registrar.

164. See Annand & Norman *Trade Marks Act 1994* 188, 191.

165. See White Paper 27-28.

166. Gyngell & Poulter *Trade Marks* 162.

167. Gyngell & Poulter *Trade Marks* 163.

- 8.1.2 The Act dispenses with association and identical or similar marks on the Register can now be independently assigned.
- 8.1.3 It is no longer necessary to advertise the assignment of registered trade marks without goodwill.
- 8.1.4 Whereas the 1938 Act made no provision for and did not contemplate the assignment of pending applications it is possible under the 1994 Act to assign pending applications independently.¹⁶⁸

Section 24(1) provides that a registered trade mark can be transferred by way of assignment, testamentary disposition or operation of law in the same way as other personal or moveable property. It follows that registered trade marks can be assigned as security and be subject to a charge (or provide security in Scotland).¹⁶⁹ The direct registration of security interests and charges were not possible under the 1938 Act.¹⁷⁰ Failure to register the assignment of a registered mark or a charge can render it ineffective. In terms of section 25(3)(a), any transfer of a trade mark which has not been registered is ineffective against a person who without knowledge thereof, acquires a conflicting interest in or under the registered trade mark concerned. This provision applies also to a charge.

In terms of section 25(4) a transferee (which includes an assignee) loses any right to damages or an account of profits in respect of an infringement of the registered mark which occurs after the date but before registration of its transfer, if the transfer is not registered within six months.

168. See Gyngell & Poulter *Trade Marks* 162.

169. See section 24(4).

170. See Groom & Abnett *UK Trade Marks Act 1994* 110-111 regarding the registration of memoranda relating thereto under the 1938 Act.

The relaxations of the 1994 Act do not mean that a trade mark will not become vulnerable to revocation if it becomes misleading through use.

In this regard **Gyngell & Poulter** write:

*The freedom to transmit a registered trade mark or an application therefor is tempered by the risk that the subsequent use made of the mark may lead to possible revocation of the registration if the use is liable to mislead the public, particularly as to the nature, quality or geographical origin of the goods or services in relation to which it is registered. This concern is all the more real in practice where the transmission is without the goodwill of the business in which the mark has been used because the mark may no longer be used in relation to the goods or services for which it has become known.*¹⁷¹

The theoretical basis for this is that without the capability of distinguishing goods or services a mark cannot qualify as a trade mark. When it becomes misleading to such a degree that this property is lost and it can no longer function to distinguish, the sign, whatever else it might be, is no longer a trade mark.

The 1994 Act does not deal with the assignment of unregistered marks and section 22(3) of the 1938 Act, which provided for the simultaneous assignment of an unregistered mark together with a registered mark for the same goods or services used in the same business, is not repeated.

The 1994 Act does contemplate the assignment of unregistered marks as part of the goodwill of a business insofar as it provides that nothing in the enactment shall affect an assignment of this kind.¹⁷²

171. Gyngell & Poulter *Trade Marks* 164.

172. See section 24(6) of the 1994 Act.

Thus, the common law still governs the assignment of unregistered trade marks in the United Kingdom.¹⁷³

Unless the terms of any license relating thereto provide otherwise, assignments and other transfers of a registered mark are subject to the licence.¹⁷⁴

It is mandatory for the assignment to be in writing.¹⁷⁵

The Act contains complex provisions relating to co-ownership of trade marks which are relevant to the assignment provisions.¹⁷⁶

In general, however, the assignment provisions of the 1994 Act are less restrictive than before, as has already been stated. This is indicative of the greater freedom of the trade mark owner to use his trade mark as personal property in the United Kingdom - subject to the established and theoretically sound limitation that should he use the mark deceptively his property right will be lost.

Finally, it is to be recalled that the assignment provisions are subject to EC law and in particular, the law relating to the free movement of goods and competition law.¹⁷⁷

8.2 *Assignment : SA Act*

Part X1 (sections 39 - 41 inclusive) of the 1993 Act deal with assignment and the hypothecation of registered trade marks. The sections contain provisions of uncertain import which are discussed hereunder.

173. See Annand & Norman *Trade Marks Act 1994* 190; Gyngell & Poulter *Trade Marks* 166.

174. See sections 28(3) and 29(2).

175. See section 24(3).

176. See Groom & Abnett *UK Trade Marks Act 1994* 105-106; Annand & Norman *Trade Marks Act 1994* 188-190.

177. See Annand & Norman *Trade Marks Act 1994* 187, 202-209.

In terms of sections 39(1) and (2) of the Act, a trade mark is assignable with or without the goodwill of the business concerned in the goods or services in respect of which it has been registered and in connection with all or some of the goods or services concerned. This is as before.¹⁷⁸ So too, as before, pending applications are assignable and the Act provides for the assignee to be substituted as an applicant.¹⁷⁹

Section 39(1) provides that assignments of registered trade marks are "subject to any rights appearing from the Register". Rights which the Register can evidence are the registered right of the proprietor, the rights of a permitted user recorded as a registered user and the rights of the quasi-pledgee under a registered hypothecation of the trade mark in terms of section 41. Disclaimers, memoranda and other endorsements against the registration delimit or qualify the right of the registrant and do not evidence rights. The section therefore appears to mean that a registered trade mark cannot be assigned or transferred without the discharge or cancellation of any hypothec, or the transfer or cancellation of any licence to which it is subject, as the case might be.

However, section 39(3) of the Act provides further that the assignment or transmission of a registered trade mark shall be subject to any deed of security hypothecating it. As section 39(1) already appears to provide that the assignment of a registered trade mark is subject to recorded hypothecs and rights of permitted use, section 39(3) must either be regarded as confirming the introductory clause of section 39(1) in relation to hypothecs or as providing something else. Alternatively, section 39(1) must be regarded as providing something other than the interpretation I have suggested in the preceding paragraph.

178. See section 49(2) of the 1963 Act.

179. See sections 49(7) of the 1963 Act and 39(5) of the 1993 Act.

In order to attribute a meaning to the wording of section 39(3) it might be suggested that the words indicating that the assignment is subject to "any deed of security hypothecating it" means that transfer of the mark assigned is subject to the terms and conditions set out in the deed of security, in other words, that the mark is transferred along with and subject to the terms and conditions of the hypothec. This construction is untenable in my view because the principal debt is and remains between the pledgor/assignor/debtor and the pledgee/creditor and there is no obligation owed the latter party by the assignee which the pledged property secures in the absence of a delegation by the assignor to the assignee of the principal debt, an unlikely scenario indeed and surely not in need of a specific provision in the Act.

The only reasonable interpretation is that assignment cannot take place unless the obligations evidenced by the deed of security have been fully discharged by the pledgor or the deed cancelled by mutual agreement between the parties thereto, and the registered hypothec entry cancelled prior to or simultaneously with the assignment. In other words, the effect of the introductory wording to section 39(1) when related to registered hypothecs as set out in section 39(3) are of the same effect.

What is clear from the foregoing is that trade mark rights must be regarded as real rights when the classification of real/personal rights is applied thereto, as the pledge holds against the world. Registration of the Deed of Security effects constructive delivery of the trade mark in pledge and affords public notice of the existence of the right. The question of hypothecation is dealt with further below.¹⁸⁰

The provisions of sections 39(4) and 39(6) are likely to

180. See p 663 *infra*.

bring about much uncertainty in practice. The sections provide:

39(4) Notwithstanding anything to the contrary contained in subsections (1), (2) and (3), a registered trade mark is not assignable or transmissible if, as a result of the assignment or transmission and the use of the trade mark by different persons in the Republic or elsewhere, circumstances exist or would exist which give rise or would give rise to the likelihood of deception or confusion.

39(6)(a) The proprietor of a registered trade mark or the applicant for the registration of a trade mark who intends to assign it, may apply to the registrar in the prescribed manner, setting out the circumstances of the proposed assignment, for a certificate stating whether the proposed assignment of the trade mark would or would not be invalid under subsection (4).

*39(6)(b) The registrar may issue to the applicant such a certificate, which shall, unless it is shown that it was obtained by fraud or misrepresentation, be conclusive as to the validity or invalidity under the said subsection (4) of the assignment in so far as such validity or invalidity depends upon the facts set out in the application, but a certificate in favour of validity shall be of no force or effect unless application for registration of the assignment or transmission is made under section 40 within six months from the date on which the certificate is issued.*¹⁸¹

In the trade mark statutes the term assignment was adopted by the South African legislature from earlier British statutes.

In the South African common law the term is associated mainly with leases and resembles a combined cession and a delegation. Assignment in South African law is however a tripartite novation of a previous arrangement whereby the assignee takes on the previous obligations of the assignor - who is discharged - and obtains the rights of the latter.¹⁸²

181. Section 40 deals with the registration of assignments and transmissions.

182. See Hutchinson - Wille's *Principles* 497; Gibson *SA Mercantile Law* 98.

The assignment of a trade mark, however, entails a cession of rights. There is no delegation of obligations alongside the cession which is, of course, subject to the rule that the cedent cannot cede a better right than he has.

It is a fundamental and theoretically sound principle of trade mark law that if the assignee uses the mark in a way which gives rise to public deception or confusion, the right to the trade mark will be lost should it lose its distinctiveness. At common law, the assignor and the assignee are entitled to contract on such terms and conditions as they deem fit and it is for the assignee to ensure that the trade mark is not lost as a consequence of deceptive use.

Under section 39(4), however, the freedom of an assignor and an assignee so to contract in regard to the assignment of a registered trade mark is significantly curtailed.

In the circumstances postulated in section 39(4) a registered trade mark is not assignable at law.

It is therefore prudent for all assignors to obtain a certificate from the Registrar under section 39(6). In terms of this certificate (unless obtained by fraud or misrepresentation) an assignment made pursuant thereto can never be attacked on the basis that it was deceptive at the time the assignment took place if the question of validity turns on the facts set out in the application. It appears that the certificate will be enforceable even where all the circumstances pertaining to the proposed assignment at the relevant time were not brought to the attention of the Registrar, provided fraud and misrepresentation are absent.

In instances where the Registrar's certificate is not obtained it seems clear that the agreement giving effect

to the transfer can be rendered null and void at any time after its conclusion if it can be shown that a likelihood of deception or confusion existed at the time of the assignment. This is so despite that the rights to the trade mark have been transferred to the assignee who might well have been using the mark for a considerable time subsequent to the assignment. The lot of the assignee of a trade mark who does not obtain the Registrar's certificate is, therefore, one of perpetual uncertainty. The same applies where the certificate was obtained but the attack succeeds on grounds not dealt with in the application - whether foreseeable or not.

In the event of a successful attack on the assignment *ex post facto* on the basis of section 39(4) the cession is null and void and the trade mark must surely be restored to the original assignor albeit in its present state. The assignor who had no remaining interest in the mark or who sold his interest therein now has a deceptive mark on his hands and might have to compensate the assignee in addition. How a balance of rights is to be restored in such circumstances is a question of considerable difficulty especially where the parties did not foresee or contemplate the deceptive consequences of the transaction. In my view considerable injustices are to be expected in such circumstances.

The provisions of section 39(4) of the Act are a radical interference also with the right to dispose of a trade mark by way of testamentary disposition. A Registrar's certificate under section 39(6) can hardly be obtained timeously in anticipation of the sudden death of the testator and if the circumstances postulated in the section obtain at the time of vesting of the rights the trade mark under his estate the mark is not transmissible and is rendered of no value in the estate.

Another substantial objection to section 39(4) is that it postulates notional use of the trade mark by the assignee which, in the view of the Registrar, would give

rise to a likelihood of deception or confusion. It does not consider that although such circumstances might well exist at the time of the assignment or transmission, it is not incumbent upon the assignee to use the mark immediately after the assignment or at any time thereafter. This means that the likelihood need never materialise. Similarly, the likelihood can be avoided by the assignee taking steps to ensure that use of the trade mark after assignment does not give rise to deception or confusion.

Section 39(4), therefore, is a serious interference with the ability of the holder of trade mark rights to assign or transmit trade marks as species of property. What impelling reason could there be for such an intrusion upon common law property rights to be introduced by the legislature?

The purpose of section 39(4) can only be to prevent public deception or confusion in advance. No contracting party is assisted thereby. This approach is contrary to the requirements of a modern trade mark system which regards trade marks as discrete property. It also represents a fundamentally different approach to the philosophy of the 1994 UK Act regarding assignment which reference to the overview of the assignment provisions of that Act herein provided soon reveals.¹⁸³ Insofar as the Act is intended to modernise the trade mark law of South Africa according to the example of the EC and the United Kingdom - which systems place the obligation on the proprietor of a trade mark to protect his trade mark as property - the provisions of section 39(4) are in discord with the whole.

The provisions of section 39(6) are also most unfortunate in that they place a unique burden upon the Registrar who must enter upon an enquiry of some

183. See p 652-655 *supra*.

substance and importance involving notional use of a trade mark by an assignee not only in South Africa but elsewhere¹⁸⁴ upon a set of facts provided by the assignor alone. The full facts and possibilities are not canvassed before the Registrar because no other party is involved in the application. It is hardly feasible for a sensible or reasoned determination to be made in these circumstances and in circumstances where the volume of certificates sought can be anticipated to be large.

A further radical intrusion into the common law power to deal with trade marks is the provision in section 39(7) that a trade mark assignment must be in writing and signed by the assignor. Verbal agreements assigning registered trade marks are, therefore, of no force and effect. The reason for this is not clear. If it is a question of facilitating proof of the assignment which underlies the provision, insofar as a cession is involved which the common law requires the assignee to accept for the agreement to be concluded, the Act might have provided also that the assignee should sign the document in order that the evidence regarding the conclusion of the assignment embodied in the document might be complete.

Under section 40(1) it is peremptory to record the assignment of registered trade marks in the prescribed way. Late registration of the assignment entails a penalty. It is not provided that non-recordal renders a written deed of assignment invalid.

In my view there is no sound theoretical basis upon which the intrusive and restrictive assignment provisions of the 1993 SA Act can be justified. They negate an approach which would regard trade marks as property and intrude upon the fundamental entitlement of

184. See section 39(4). See p 274 *supra* regarding certificates under the 1963 Act.

the owner of property - to alienate it if he so chooses. The Act opts for restricted dealing with trade marks ostensibly in the interest of the public who must not be confused or deceived. In my view the sanction that a registered trade mark can be expunged if its use results in deception or confusion is an ample and theoretically appropriate sanction against deceptive assignments already available under section 10(13) of the Act.

9. *HYPOTHECATION*

Section 41 provides that a registered trade mark may be hypothecated by a deed of security. The provisions for the hypothecation of trade marks are new and are considered hereunder as it is to be expected that the provision will reveal something of the approach of the legislature towards the nature of the right to a registered trade mark.

The first question arising is what is meant by the hypothecation of a registered trade mark.

In terms of section 41(4), the hypothecation of a registered trade mark has the effect of a pledge in favour of the pledgee under the deed of security evidencing the transaction. As contemplated by section 41(6) the deed of security secures "a debt or obligation". Thus, under the Act, hypothecation of a trade mark means a statutory pledge constituted under a written deed of security upon its registration, by means of which the trade mark is in effect pledged as security for a debt or obligation.

The Act constructs a species of hypothec similar to the special hypothecs of the Roman Dutch law which combined the concept of *pignus* in regard to the specificity of the object and hypothec indicating non-delivery thereof. Such hypothecs could be constituted over both moveable

and immoveable property.¹⁸⁵

In Roman law the term *pignus* indicated a security where the pledge was delivered to the creditor. The term *hypotheca* was used when no delivery of possession took place.¹⁸⁶

In their brief conspectus of the views of the old writers regarding the distinction between *pignus* and *hypotheca* Scott & Scott show that different views were expounded. *Hypotheca* referred either to a form of security where the object of the security was not delivered, or *pignus* referred to security over moveables and *hypotheca* to security over immoveables.¹⁸⁷

Insofar as the word hypothec is used in the section under which the pledge is effected, with reference to the common law the word hypothec indicates that the property pledged is not delivered.

The requirement that delivery of the object of the security must take place for a pledge to come about is replaced in the Act by the statutory delivery of the pledged trade mark by means of registration of the deed of security. At common law, if a discharge of the secured debt or obligation takes place, possession of the moveable must be restored. In the case of a trade mark, registration of the hypothec is cancelled under section 41(6).

In the event of the debt not being discharged the trade mark is liable to be sold in execution pursuant to a judgement based upon the debt or obligation secured by

185. See Van der Merwe *Sakereg* 608-611 regarding the hypothecs of Roman and Roman Dutch law.

186. See Scott & Scott *Mortgage and Pledge* 3.

187. Scott & Scott *Mortgage and Pledge* 3-4.

the hypothec.¹⁸⁸ In terms of section 2(1)(xxiv) of the Act "transmission" means transfer by operation of law, not being assignment, and "transmit" and "transmissible" have corresponding meanings. This would include transfer pursuant to a sale in execution.

Therefore, in so far as a sale in execution brings about a transmission of the trade mark by operation of law the sale can be struck by the provisions of section 39(4) of the Act. Hence, a sale in execution would be void under that section if a likelihood of deception or confusion would result in the circumstances provided for in the section when applied to the sale.¹⁸⁹

This is an extraordinary result and renders the efficacy of hypothecation of a trade mark under the Act uncertain. In the case of a valuable mark with repute, as notional postulated use by others is clearly likely to lead to a conclusion that public confusion or deception will result, a transmission of such a mark under a sale in execution is therefore potentially of no effect as the mark is "not assignable or transmissible".

In the event of the ultimate sequestration or liquidation of the pledgor the same result is likely to obtain.

Section 39(4), therefore, gives rise to anomalies also in regard to the hypothecation provisions of the Act which would suggest the repeal of the section.

In my view the right to a trade mark should be freely assignable and transmissible and in the event of the trade mark becoming misleading by virtue of its use

188. For the mark to be sold in execution the judgment pursuant to which execution takes place must issue out of or be made an order of the Transvaal Provincial Division or Magistrate's Court for the District of Pretoria. See section 41(2).

189. See p 657-658, 659 *supra*.

after the assignment, the appropriate sanction arises of itself as the mark becomes revocable as deceptive under section 10(13) of the Act.

The import of the provisions of section 41(5) are also uncertain. The section provides:

41(5) An assignment or transmission of a registered trade mark in respect of which a deed of security has been endorsed in terms of subsection (3) shall not, without the written consent of the person in whose favour the deed of security has been granted, be registered by the registrar in terms of section 40.

This section, therefore, contemplates the assignment or transmission of the trade mark subject to the hypothec. Otherwise the section would surely require the cancellation of the hypothec and not the written consent of the creditor to the transfer. Insofar as the rights to the trade mark are transferred to a new proprietor by way of the assignment or transmission, the pledge constituted by registration must surely be lost thereby. The property of X can surely not serve as security for the obligations of the assignor or transferor (the debtor) towards the creditor unless there is in both cases an assignment in the common law sense.¹⁹⁰ This requires a delegation of the debtor's obligations and his discharge therefrom coupled with a cession of the rights to the trade mark. The discharge of the debtor, however, suggests cancellation of the hypothec not its apparent continuation by the written consent of the creditor.

It seems, therefore, that the appropriate provision would be for the Registry to obtain the consent of the pledgee to cancellation of the entry recording the hypothecation as a condition precedent to recordal of

190. See p 658-659 *supra* in regard to common law assignments.

transfer or assignment of the mark concerned. This implies a release of the mark from the pledge by agreement or discharge of the debt or obligation secured thereby.

Insofar as the classification of property into moveable or immoveable is of significance to trade marks at all, the constitution of a quasi-pledge over trade marks under section 41(4) of the Act suggests that trade marks are to be regarded as moveable or analogous to moveable property as only moveable property can be pledged.

Section 41(2), on the other hand, gives effect to the decision in the **Spier Estate**¹⁹¹ case in which it was held that the right to a trade mark, which is evidenced by an entry in a Register permanently situated at a fixed place, namely Pretoria, is an immoveable situated at Pretoria for the purpose of expungement of the right concerned. The *res* concerned, it was said, is the Register of Trade Marks.

Section 41(2) provides:

41(2) A registered trade mark may be attached to found or confirm jurisdiction for the purposes of any proceedings before the Transvaal Provincial Division of the Supreme Court of South Africa or the magistrate's court for the district of Pretoria and may be attached and sold in execution pursuant to an order of any such court.

The effect of this provision is to render the hypothec contemplated by section 41 more akin a to species of mortgage/hypothec over immoveable property than to the pledge of a moveable.

10. LICENSING

10.1 The Directive and the UK Act

191. **Spier Estate V Die Bergkelder Bpk and anr.** 1988(1) SA 94(C).

10.1.1 The Directive

Article 8 of the Directive deals succinctly with the licensing of trade marks. It provides:

Licencing

1. *A trade mark may be licensed for some or all of the goods or services for which it is registered and for the whole or part of the Member State concerned. A license may be exclusive or non-exclusive.*
2. *The proprietor of a trade mark may invoke the rights conferred by that trade mark against a licensee who contravenes any provision in his licensing contract with regard to its duration, the form covered by the registration in which the trade mark may be used, the scope of the goods or services for which the licence is granted, the territory in which the trade mark may be affixed, or the quality of the goods manufactured or of the services provided by the licensee.*

According to **Annand & Norman** three principles are revealed:

- 10.1.1.1 A registered trade mark may be licensed in whole or in part;
- 10.1.1.2 a licensee who breaches the terms of the licence is regarded as an infringer of the trade mark;
- 10.1.1.3 use of a trade mark with the consent of the proprietor is deemed to be use by the proprietor.¹⁹²

10.1.2 The UK Act

According to **Annand & Norman** in regard to the licensing provisions of the UK Act and with reference to principles derivable from the Directive as set out above:

By contrast, the 1994 Act contains no such statement of principle. Instead, rules equating to the provisions of Articles 8 and 10(3) have to

192. See **Annand & Norman Trade Marks Act** 195. See articles 8 and 10(3) of the Directive.

*be gleaned from sections dealing with revocation (section 46), the procedural rights of licensees (section 30 and 31), the registration requirements (section 25) and the courts' powers to grant remedies for infringement. It is a matter of regret that there is no equivalent in the 1994 Act to article 8(2).*¹⁹³

Although the old terminology of registered users and permitted use is gone and the 1994 Act refers to licenses and licensees instead, the licensing provisions of the new Act remain complex.

The Act sanctions licenses, which may be general or limited with reference to the goods or services covered by the licence, the manner of use of the mark or the locality of its use.¹⁹⁴ Sublicensing is permitted.¹⁹⁵ A trade mark licence is not effective unless it is in writing and signed on behalf of the grantor.¹⁹⁶

Specific and fairly extensive provisions relate to exclusive licences which are defined in section 29. Section 30 sets out general provisions relating to the rights of licensees in the case of infringement. In matters of infringement and otherwise exclusive licensees have rights equivalent to those of assignees and are dealt with in some detail.¹⁹⁷

The licensee's rights of action are, however, always subject to the terms of the licence agreement with the proprietor. In the case of infringement, the licensee can call upon the proprietor to take action and if he does not do so, the licensee can institute action and join the proprietor as either the plaintiff or the defendant (without the jeopardy of a costs order if the proprietor does not participate). Where the proprietor

193. Annand & Norman *Trade Marks Act* 195.

194. See section 28(1).

195. See section 28(4).

196. See section 28(2).

197. See sections 29, 30(7) and 31.

institutes proceedings he must look after the interests of the licensees as prescribed in the enactment. In contrast to the position in South Africa, licensees are not entitled to join the proceedings as of right.¹⁹⁸ In this regard section 30(6) provides:

30(6) In infringement proceedings brought by the proprietor of a registered trade mark any loss suffered or likely to be suffered by licensees shall be taken into account; and the court may give such directions as it thinks fit as to the extent to which the plaintiff is to hold the proceeds of any pecuniary remedy on behalf of licensees.

An exclusive licensee can, however, as the equivalent of an assignee, take action in his own name as if he were a proprietor, subject to the provisions of section 31. Essentially, the exclusive licensee obtains concurrent rights with the proprietor but no rights against him other than as provided for in the licence agreement. The licence agreement can exclude the statutory rights and remedies afforded exclusive licensees by the Act.¹⁹⁹

As licenses are registrable transactions in terms of the Act, licences must be recorded under section 25 and a failure to do so has the serious consequences provided for in sections 25(3) and (4) of the Act.²⁰⁰

198. See sections 30(2), 30(4)(5) and p 675-676 *infra* regarding the SA Act.

199. See Annand & Norman *Trade Marks Act* 198-199 and section 31(1).

200. Sections 25(3) and (4) provide: "(3) Until an application has been made for registration of the prescribed particulars of a registrable transaction - (a) the transaction is ineffective as against a person acquiring a conflicting interest in or under the registered trade mark in ignorance of it, and (b) a person claiming to be a licensee by virtue of the transaction does not have the protection of section 30 or 31 (rights and remedies of licensee in relation to infringement). (4) Where a person becomes the proprietor or a licensee of a registered trade mark by virtue of a registrable transaction, then unless - (a) an application for registration of the prescribed particulars of the transaction is made before the end of the period of six months beginning with its date, or (b) the court is satisfied that it was not practicable for such an application to be made before the end of that period and that an application was made as soon as practicable thereafter, he is not entitled to damages or an account of profits in respect of any infringement of the registered trade mark occurring after the date of the transaction and before the prescribed particulars of the transaction are registered.

See Gyngell & Poulter *Trade Marks* 177-178.

As is the case in South Africa, the essential requirements of licences are not stipulated in the Act. As **Annand & Norman** put it:

*From the above discussion, it will have been noted that the 1994 Act contains no stipulations as to how a trade mark should be licensed. In particular, no mention is made in the Act about the issue of the control to be exercised by the trade mark proprietor over the licensee. The philosophy of the Act would seem to be that this is a matter for contractual arrangements between the parties, as determined by commercial requirements.*²⁰¹

Gyngell & Poulter point out in this regard:

*As with assignments, the policy is that trade mark owners should be free to licence the use of their trade marks as they see fit and the only caveat is the proprietor's own interest in maintaining the distinctiveness and hence the value of his trade mark by, inter-alia, asserting proper quality control over the goods or services for which it is licensed.*²⁰²

It is unfortunate that the South African legislature did not follow and clearly enunciate these principles in the 1993 SA Act.

If a licensed trade mark in the United Kingdom becomes generic or misleads because of deceptive use resulting from trafficking, want of control on the part of the licensor or for other reasons, the trade mark is vulnerable to revocation under section 46(1)(d). In instances where the want of control is such that use of the mark is not "genuine" for the purposes of section 46(1)(a) of the 1994 Act, the mark becomes revocable on the grounds of non-use.²⁰³

201. **Annand & Norman** *Trade Marks Act* 200.

202. **Gyngell & Poulter** *Trade Marks* 168.

203. See **Groom & Abnett** *UK Trade Marks Act 1994* 73-76.

Finally, as always when dealing with the trade mark law of the United Kingdom and with licensing in particular, the governance of the EC Treaty and laws must be constantly borne in mind and especially the provisions of articles 32-26 and article 85-86 of the EC Treaty.²⁰⁴

10.2 *Under the SA Act*

In sharp contrast to the strictures placed upon assignments and the great concern about public confusion or deception revealed by the assignment provisions of the Act, the licensing provisions are simple and apparently unconcerned about public confusion resulting from use of the licensed mark. Control over the trade mark and its use under licence is left to the proprietor.

Use of a trade mark with the licence of the proprietor is deemed to be permitted use of the mark. Section 38(1) provides:

38(1) Where a registered trade mark is used by a person other than the proprietor thereof with the licence of the proprietor, such use shall be deemed to be permitted use for the purposes of subsection (2).

Subsection 2 provides:

*38(2) The permitted use of a trade mark referred to in subsection (1) shall be deemed to be use by the proprietor and shall not be deemed to be use by a person other than the proprietor for the purposes of section 27 or for any other purpose for which such use is material under this Act or at common law.*²⁰⁵

It needs to be considered whether "with the licence" has a meaning different to "with the consent" which is the concept used under the 1994 UK Act.²⁰⁶ "Licence" is not

204. Annand & Norman *Trade Marks Act* 202.

205. Section 27 relates to the removal of trade marks from the Register on the basis of non-use.

206. See section 28(3) of the 1994 Act.

defined in the SA Act. In ascribing an ordinary meaning to the word it is my view that insofar as the licence refers to an object - the trade mark - it must be given that meaning ascribed to the word which indicates permitted use for some specific purpose.²⁰⁷ This refers to the specific purpose agreed upon and stated in the licence rather than use to of trade mark howsoever the licensee pleases. This implies that the registrant is to exercise control over the permitted use of the trade mark.

In the event that the want of control over use of the mark leads to a loss of the distinctiveness of the mark it then loses also its trade mark character and is vitiated as a trade mark. In the case of a registered mark it is then expungeable under section 10(13).

Morley, however, expresses an expansive view:

The function of a trade mark has undergone a significant change in terms of the new Act. The essence of a trade mark now is to distinguish goods from goods, service from service, and goods from service, as opposed to the provenance from which they originate. I believe that in the light of the definition of a trade mark under the new Act quality control is no longer a requirement for trade-mark licensing. This will also become apparent from other provisions of the new Act.

The author however introduces this caveat:

This is not to contend that quality control should not be required by a trade-mark proprietor as prudent business practice. Quite obviously it is the interests of a prudent trade-mark proprietor to control the use of his mark. The economic value of a trade mark lies in its uniqueness, and long before a mark is threatened in terms of section 10(13) for

207. The meaning ascribed to the word licence in this context by the Compact Oxford English Dictionary (2nd ed (mimeographic text)) 968 is: "b. To grant a licence permitting (a house, theatre etc.) to be used for some specified purpose."

*causing deception or confusion, it already would have had a big impact on the advertising function; in other words, whilst the Act does not specifically require quality control, of course, very few licensors will be willing not to exercise such control.*²⁰⁸

For all purposes under the Act, and at common law, permitted use of a registered trade mark - use with the licence of the proprietor in other words - is deemed to be use by the registered proprietor.

Section 38(3) permits the recordal of licensees as registered users. Recordal is not peremptory. The requirements of the application for recordal are set out in section 38(6)(b) and includes the giving of particulars of the relationship, existing or proposed, between the proprietor and the proposed registered user.²⁰⁹ As the Act does not prescribe the nature of the relationship or the degree of control required it is not clear whether the Registrar is expected to respond to the information given and, if this is intended, what the Act contemplates the Registrar should do.

According to Morley:

*The new Act retains the right of a trade-mark proprietor to record a registered user voluntarily. Provided that the necessary information is furnished to him, the registrar is required to enter the registered-user recordal. Thus the "recordal of registered-user" function has become an administrative one under the new Act with the registrar having no discretion in the matter, unlike the situation under the 1963 Act.*²¹⁰

This is correct. Section 38(7) provides that when the requirements of section 38(6) have been complied with,

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- 208. Morley - Trade-Mark Licencing and Franchising - in Visser *New Law: Trade Marks and Designs* 48-53 48-49.
 - 209. See section 38(6)(b).
 - 210. See Morley 53. This approach is very different to the onerous tasks placed upon the Registrar in regard to certificates issued under section 39(6).

the Registrar shall register the proposed registered user as a registered user in respect of the relevant goods or services.²¹¹ The interface between the assignment and licensing provisions of the Act are provided by section 38(8)(b) which provides:

(8) Without derogating from the provisions of section 24, the registration of a person as a registered user -

(a) ...

(b) shall be cancelled by the registrar where the trade mark in respect of which such person has been registered has been assigned and application has in terms of section 40 been made for registration of the assignment, unless the subsequent proprietor registered in terms of the said section requests the registrar in the prescribed manner not to cancel any such registration and furnishes the registrar with the particulars referred to in paragraph (b) of subsection (6).²¹²

Thus, in the event of an assignment the registered user entry must be cancelled unless the assignor indicates that the licence has been assigned along with the mark or a new licence has been entered into between the assignee and the registered user. The Registrar's specific powers of cancellation or variation of registered user entries are set out in sections 38(8)(a) and 38(9). The provisions of section 38 apply to registered users recorded under the 1963 Act.²¹³

Finally, regard must be had to the provisions of sections 38(4) and 34(5). Unless the licence agreement provides otherwise, section 38(4) enables a registered user to call upon the proprietor to institute infringement proceedings and to institute such proceedings himself in his own name if the proprietor

211. See section 38(7).

212. Section 24 deals with the general powers of the Registrar to rectify entries in the Register. Section 40 provides for registration of assignments and transmissions.

213. See section 38(10).

does not do so within two months of the notice, in which event the proprietor must be cited as a co-defendant (who is exempted from costs if he does not enter the fray).²¹⁴

Under section 34(5), where the registered proprietor of the trade mark institutes an infringement action, it is peremptory for him to give notice in writing of his intention to institute proceedings to every user recorded on the Register and this entitles such registered user to intervene in the proceedings and to recover any damages suffered by the user as a result of the infringement. It is notable that this section is not rendered subject to the terms of the licence with users and cannot by implication be excluded thereby. The Act does not provide a specific sanction if, because of urgency, or for some other reason or for no reason at all, the registered proprietor does not give notice.

Section 34(5) could well dissuade proprietors of extensively licensed registered trade marks to record registered users in order to avoid large-scale joinder of users in infringement actions as this could lead to the proprietor losing control over his infringement action or application. This is a real prospect where there has been an extensive recordal of franchisees as registered users against a particular mark. The prospect of multiple joinder of a large number of licensees is not an attractive prospect for a plaintiff or applicant as costs are bound to increase where the particular circumstances and claims of various claimants fall to be considered and this is coupled with the inevitable delays characteristic of multi-party matters.

Unlike assignments which must be in writing to be valid, licenses can be concluded between the parties with no statutory restrictions upon the common law rights of the parties to do so.

214. See section 38(4).

According to **Morley**:

There is no requirement that the licence be in writing. So the normal provisions of the common law apply - the licence agreement may be oral, written, or inferred by conduct. The words "with the licence" go no further than a bare licence: this reinforces the view that no quality control is required for permitted use (this is consistent with the European Directive on trade marks). The prohibition against trafficking has been removed, and there are no provisions that will prohibit or in any way limit sub-licencing. Indeed, the new Act has greatly facilitated franchising, character merchandising and corporate licensing.

The author goes on to say:

*The provisions of the new Act thus greatly facilitate trade-mark licensing. As mentioned above, it is likely that, despite the absence of a requirement that the trade-mark proprietor exercise quality control, proprietors will provide in their licence agreements for such control. The benefit to the parties is that they will be entitled to regulate their relationship in whatever manner they think fit.*²¹⁵

Whether or not the need for control by the licensor is implied by the Act as I have suggested, or not, the intention of the legislature to de-regulate trade mark licensing in favour of owner's control is clear. The trafficking provision is no more and the earlier restrictions implied by the 1963 Act in recognising only the origin and distinguishing functions have been eliminated in regard to licensing. The trade mark proprietor is entitled to licence all the entitlements of the subjective right to his trade mark. There is no preoccupation with the prospect of public deception or confusion arising from the permitted use as in the assignment provisions. Such considerations obtain their proper place in the scheme under section 10(13) which

215. Morley 52, 53.

circumscribes and provides the limits beyond which the licensed use may not go. The licensed trade mark will be lost if it becomes deceptive through licensed use.

11. *IN SUM*

The legal - historical investigations of this work reveal that at the time of the coming into force of the Trade Marks Act, No. 194 of 1993 on 1 May 1995, the South African law of trade marks was indeed in need of change to accommodate modern concepts and developments.

The route chosen by the legislature was to follow the modernised European model whereunder changes to the law in the United Kingdom - in which legal system the bedrock of South African trade mark law was previously to be found - serve as an example.

Thus, the new South African statute has no particular theoretical underpinning in the South African law.

In broad terms, the concepts upon which recent developments in European trade mark law rest are to be found in the following general premises:

- 11.1 Trade marks are property which the proprietor thereof is entitled to apply and exploit as such.
- 11.2 It is for the proprietor to protect his property interests in the trade mark and he must use the trade mark accordingly.
- 11.3 It is especially incumbent upon the proprietor to ensure that the distinctiveness of the trade mark is not lost through deceptive use.

- 11.4 A number of secondary premises are required in the base of a modern trade mark statute in order to give effect to the foregoing, namely:
- 11.4.1 Whatever the nature of the sign, it must be registrable as a trade mark if it presents or is capable of presenting the invariable function of trade marks - which is to distinguish goods or services.
 - 11.4.2 The applicant for registration of a trade mark is entitled to obtain its registration unless it offends specific grounds of objection set out in the statute.
 - 11.4.3 The statute must not restrict or prohibit transfer of trade mark rights.
 - 11.4.4 A trade mark owner must be entitled to licence the trade mark as he deems fit.
 - 11.4.5 Trade marks must be afforded extended protection against infringement beyond protection of the origin function only.
 - 11.4.6 Well-known trade marks must be protected.
 - 11.4.7 The use of trade marks must be subject to the fundamental principle that deceptive use leading to the destruction of the distinctiveness of the trade mark will invalidate it.

The question as to the degree to which the 1993 SA Act satisfies the requirements for a modern trade mark statute then arises.

The 1993 SA Act represents a real endeavour to modernise South African trade mark law in a manner compatible with and generally following the EC model. The Act lacks the simplicity which a continental drafting style facilitates and its want of theoretical underpinning is, in my view, evident.

It is clear that the Act regards trade marks as property. But whereas the licensing provisions encourage a positive approach, largely permitting the proprietor to licence his property as he deems fit, the assignment provisions are limiting and are firmly based

upon the core principle of old, namely, that the public must be protected against confusion or deception.

The Act, therefore, does not adopt a property-based approach uniformly and does not specifically provide that registered trade marks are property of a defined kind. Insofar as the classification is sometimes relevant to immaterial property, there is also uncertainty as to whether registered trade marks are moveable property (as they constitute quasi-pledges) or immovable property (as they can be attached to found jurisdiction only in the Transvaal Provincial Division and the Magistrate's Court for the district of Pretoria).

In my view, the assignment provisions as they now stand, and particularly sections 39(4) and 39(6), are an anomaly in a trade mark statute based upon the premise that trade marks are property.

The presence of the "connection in the course of trade" doctrine in the definition of a "trade mark" is, in my view, an unnecessary remnant of origin theory indirectly maintained in the definition.

The infringement provisions provide extended protection to trade marks by including "similar goods" infringement and protection of well-known registered marks without reference to registered goods or services. Also significant is the prohibition against the registration of well known marks and their protection against unauthorised use by means of interdict.

The doctrine of dilution has been introduced in a limited form according to the European model and does not extend to all trade marks which are vulnerable to dilution according to the American model.

Regarded as a whole, the 1993 Act has moved the trade mark law of South Africa a considerable distance from

where it was before, although many difficulties regarding its concepts and interpretation are to be anticipated in its practical application in future.

It is my submission that the theoretical construction of the trade mark right set out in this and the preceding chapter is wholly compatible with the essentials of a modern trade mark system described in paragraphs 10.1 to 10.4 above - which refers to a system along the lines of the Directive and Regulation models of present day Europe.

The proposals are, however, directed primarily at the South African trade mark law in relation to which it is suggested that the construct can serve in both the statutory and common law models of a new South African system. Furthermore, it can, in my view, provide a theoretical base in the South African trade mark law from which the new trade mark system could proceed on a path compatible with the common law of South Africa as well as with modernising trends and concepts elsewhere. Particularly, it provides a system of reference which could assist in the interpretation of the new statute in a progressive manner rather than in a manner which reverts to outmoded concepts by way of analogy in order to occupy the theoretical vacuum brought about by the new statute.

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